



On the import side, the higher import levels in 2005 reflected the dependence of Eastern Canada (Atlantic Provinces, Quebec and Ontario) on imported oil, with energy products jumping by 35.8 per cent in 2005, as well as strong business investment in industrial goods and materials (up by 6.8 per cent), and in machinery and equipment (up by 6.2 per cent).

Also, the annual average growth (15.4 per cent) in goods imports from Others (which includes China) outpaced the growth in goods imports from the U.S., the EU and Japan, reflecting rising imports from China.

Figures 4-6 and 4-7 represent the composition of Canadian imports by major product groups in the last three decades and in 2005, respectively. Over time, machinery and equipment, automotive products and industrial goods accounted for the largest share of imports. Energy products were the most volatile category in the last 30 years. Imports of machinery and equipment comprised the largest share in 2000 while imports of automotive products were the highest in 1985.

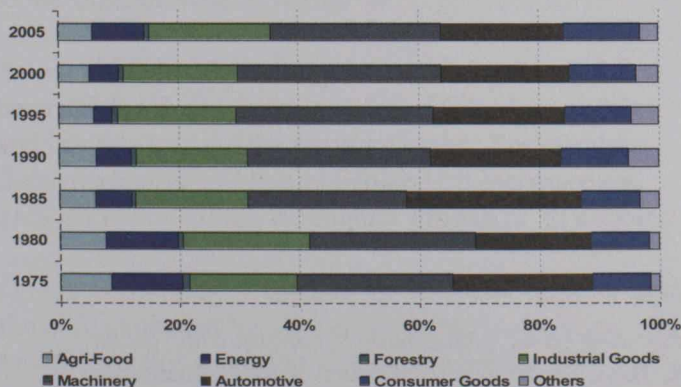
At an annual total of almost \$63 billion, Canada's services exports were surpassed by services imports of \$76.4 billion. This resulted in an increase in the services deficit to \$13.4 billion from \$12.7 billion in 2004. The travel deficit increased \$1.3 billion as fewer Americans visited Canada while Canadians spent more visiting both U.S. and non-US destinations than in the previous year. The deficit in transportation services increased by \$1.0 billion in 2005, as the deficit on passenger fares widened in line with travel activity. Higher receipts, notably for

financial services, combined with lower payments for management and communication services, accounted for most of the \$1.4 billion reduction in the commercial services deficit for 2005.

In terms of growth, total service exports and imports were sluggish, increasing by 1.6 per cent and 1.8 per cent, respectively. By major category, transportation service exports posted a solid growth (2.8 per cent) while government services registered a robust growth (10.6 per cent). The growth rate for commercial services was rather weak at 1.8 per cent. Within commercial services, the top performers were other financial services and construction services, advancing by 33.5 per cent and 21.3 per cent, respectively. On the downside, advertising and related services (-75.2 per cent), non-financial commissions (-72.7 per cent) and equipment rentals (-72.3 per cent) experienced the steepest declines. On the import side, travel and transportation services grew by 4.4 per cent and 7.3 per cent, respectively, during 2005. Commercial services imports declined by 1.9 per cent in 2005, pushed down by communications services (-21.8 per cent), management services (-9.0 per cent), and audio-visual services (-6.0 per cent).

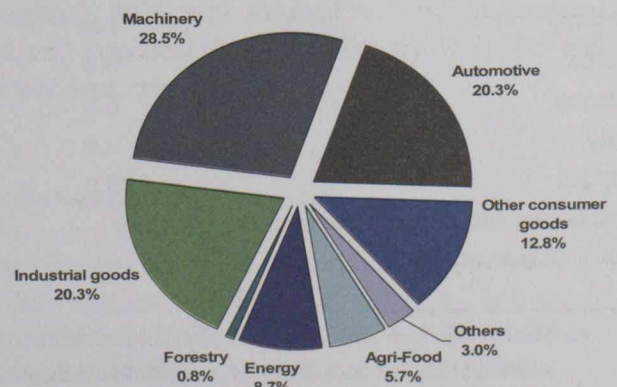
By geographical destination, the service trade deficit with the U.S. widened from \$6.8 billion to \$9.2 billion in 2005. This deficit was more than double the deficit with all other destinations combined (\$4.1 billion).

Figure 4-6
Composition of Goods Imports, 1975-2005



Source: Statistics Canada

Figure 4-7
Composition of Goods Imports in 2005



Data: Statistics Canada