energy products reached a new high at $55.1 billion in 2007, whereas the surplus for forestry products peaked in 2000 at $39.7 billion and has trended down since. The categories in which Canada has always run trade deficits are machinery and equipment and consumer goods, and these deficits have been growing in recent years.

Automotive products and industrial goods and materials are the only sectors that have posted both surpluses and deficits over the course of the past 28 years. Even these reversals of trend were the exception rather than the rule, and were limited to short periods. In 2007, the auto sector registered its first deficit since 1987, essentially due to a decrease in exports, while imports remained fairly steady. Industrial goods and materials consistently posted surpluses, except for 1998-2001, a period characterized by low metal prices and high steel and chemical imports.

***Services Trade***

Canadian services exports edged up 0.3 percent to $67.5 billion in 2007. However, services imports rose 5.5 percent to a record $86.9 billion. As a result, the deficit in services trade rose to a record $19.5 billion, up from $15.2 billion in 2006, a $4.3 billion deterioration in the trade balance.

The bulk of the increase in the deficit was largely due to the widening deficit in travel services, which reached $10.3 billion. This deficit has been trending up sharply since 2002, as Canadians take advantage of the strong Canadian dollar to travel to the United States. Broken down into subcategories, both business travel and personal travel deficits dramatically increased. The deficit on transportation also expanded from $7.1 billion in 2006 to $7.7 billion in 2007, whereas that of commercial services remained steady. Both the travel and transportation deficits for the year were the highest ever recorded.

By major categories, transportation services exports posted a solid growth (up 2.9 percent), while exports of travel services edged up slightly (0.3 percent). Commercial services was the only category to decline in 2007 (down 0.6 percent) as declines in construction services (down 36.9 percent), research and development (down 8.3 percent), audio-visual services (down 7.0 percent), and other financial services (down 2.0 percent) were only partly offset by gains in communication services and royalties and licence fees, at 4.2 percent and 6.1 percent, respectively.

On the import side, travel and transportation services imports grew by 15.5 percent and 5.3 percent, respectively, while commercial services imports fell by 0.3 percent in 2007. Architectural, engineering and other technical services (down 8.2 percent), communication services (down 7.8 percent), and research and development (down 6.3 percent) were the main contributors to the decline in commercial services while other financial services

**Table 4-1**
Services Trade Balances by Category ($ billions)

| | 2005 | 2006 | 2007 |
|---|---|---|---|
| **World** | | | |
| Services (total) | -12.2 | -15.2 | -19.5 |
| Travel | -5.4 | -6.7 | -10.3 |
| Transportation | -5.8 | -7.1 | -7.7 |
| Commercial services | -1.6 | -2.2 | -2.3 |
| **U.S.** | | | |
| Services (total) | -9.5 | -9.8 | -13.5 |
| Travel | -3.2 | -4.3 | -7.1 |
| Transportation | -1.4 | -1.8 | -2.3 |
| Commercial services | -5.0 | -3.9 | -4.3 |
| **EU** | | | |
| Services (total) | -0.9 | -1.9 | -2.3 |
| Travel | -1.2 | -1.3 | -1.8 |
| Transportation | -1.1 | -1.4 | -1.3 |
| Commercial services | 1.5 | 0.8 | 0.7 |
| **Japan** | | | |
| Services (total) | -0.9 | -1.8 | -2.0 |
| Travel | 0.4 | 0.4 | 0.2 |
| Transportation | 0.0 | -0.1 | -0.1 |
| Commercial services | -1.2 | -2.1 | -2.1 |