robust to recover all of the ground lost. In 2010, services exports rose 4.4 percent to $70.1 billion while services imports were up 4.0 percent to $93.4 billion, resulting in a $23.3-billion deficit for the year, or $646 million more than the deficit posted for 2009. Growing deficits in travel and transportation services along with a small deterioration in the government services balance were only partly offset by the elimination of the commercial services deficit to cause the increase in the deficit.

Regionally, Canada runs trade deficits for services with all of its major partners (Table 4-1). The largest is with the United States ($15.3 billion), followed by the ROW ($5.3 billion) and the EU ($2.2 billion), while that with Japan is the smallest ($0.5 billion). Last year, the increase in the services trade deficit came from a widening of the deficits with the United States, Japan and the ROW, while Canada narrowed its services trade deficit with the EU.

Activity in the **travel and tourism** sector picked up in 2010. The strong Canadian dollar helped create favourable conditions for Canadians to travel abroad, with the result that Canadian travel expenditures abroad were up 9.7 percent in 2010 (Table 4-2). Both personal travel expenditures (up 9.4 percent) and business travel expenditures (up 11.7 percent) posted strong gains. At the same time, foreign travel spending in Canada also rose, but not by as much as Canadian spending in the outward direction. Foreign personal travel expenditures in Canada were up by 4.5 percent and foreign business travel expenditures in Canada advanced 6.3 percent. The net result was that Canadians increased their travel expenditures abroad more than foreigners increased their expenditures in Canada, causing the travel services trade deficit to widen by $1.9 billion to $14.1 billion.

In line with the recovery in goods trade with all major partners, trade in **transportation services** to all regions was on the rise in 2010. The sole exception was for transportation services imports from the EU. This was likely related to the weak increase in goods imports from the EU.

Transportation services exports rebounded by 12.3 percent ($1.2 billion) as exports to all major trading partners were up by double-digit figures. Exports of land transport services rose by 8.7 percent, those for water transport by 11.7 percent, and those for air transport by 15.1 percent. Imports of transportation services were also up across the board, except with the EU (down 1.9 percent) as noted above. Overall, imports of transportation services increased 9.4 percent, most notably with the United States (up 16.0 percent). Again, those for land transport posted the slightest rebound (up 6.6 percent); this was followed by air transport (up 9.4 percent) and water transport (up 10.1 percent).

Canada traditionally runs a **commercial services** trade deficit; however, in 2010, that changed and the country posted its first surplus at $477 million. Exports of commercial services advanced 2.5 percent ($1.0 billion) and imports fell 2.3 percent ($0.9 billion), moving the trade balance from a $1.5-billion deficit in 2009 to last year's surplus. Exports of commercial services were up to all major partners, except to the ROW. At the same time, imports of commercial services were also down across the major partners, with the exception of Japan, where imports were up 40.3 percent. However, because Japan only accounted for 2.2 percent of total commercial services imports, the increase with that country was not sufficient to offset the declines posted with the other trading partners.