

### CANADA - MEXICO AIR AGREEMENT

An air transport agreement between the Governments of Canada and the United Mexican States, signed in Mexico City on December 21 by W.A. Irwin, the Canadian Ambassador to Mexico, and Manuel Tello, Minister of Foreign Affairs for Mexico, replaces the 1953 agreement. Like its predecessor, the new instrument provides for the designated airlines of both countries to fly between both the West Coast of Canada and Mexico and Eastern Canada and Mexico, and to specified points beyond. In addition, however, it provides for more traffic centres to be served on the routes between the two countries. These now include Montreal, Toronto and Windsor in Eastern Canada, Calgary and Vancouver in Western Canada, and Mexico City and Guadalajara in Mexico.

As in the past, the designated airlines of either country will be able to carry traffic beyond the other country from only one point on each route. For Mexico, these points are Vancouver on the western route and Montreal on the eastern route. For Canada, Mexico City is the point on each route.

The signing of the agreement, which will mark the inauguration for the first time of pure jet services between the two countries, reflects the need for expanded air services between Canada and Mexico and is a further step towards strengthening the ties of friendship and co-operation between them, it was stated by Mr. Léon Balcer, the Canadian Minister of Transport.

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### NATIONAL ACCOUNTS

Canada's Gross National Product, which is seasonally adjusted, rose to \$37,364 million, or 2.7 per cent, in the third quarter of 1961, continuing the upward trend that had been resumed in the second quarter of the year after a brief interruption. The gain was the largest quarter-to-quarter advance for some time, and was almost wholly accounted for by an increase in the physical volume of output; the price index of total Gross National Product remained relatively unchanged in the quarter. This most recent gain in output has raised the physical volume of production to a level about 3 per cent above the first quarter of 1960, which marked the peak of the last business cycle expansion.

The production advance in the third quarter was supported by a substantial increase in labour in-

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come, the largest since 1959, and a further marked advance in corporation profits, bringing them above the peak level of the fourth quarter of 1959. National income rose by 4 per cent. On the demand side, the expansion in total final purchases was one of the largest on record. All components of the gross national expenditure were rising in the quarter, with the exception of business inventories, where the rate of accumulation was moderately lower, and agricultural inventories, which were affected by a poor crop out-turn in Western Canada. In particular, the reversal of a two-quarter down-trend in business outlays for new plant and equipment added a sizable element of renewed strength to total final demand in the quarter. Outlays for new housing were also higher, following the small second-quarter decline. Transactions on current international account exerted a neutral effect, however, as the rise in exports of goods and services was matched by a corresponding rise in imports, and the deficit remained unchanged. Government and consumer outlays continued to provide an expansionary influence on the total flow of expenditures in the economy.

With nine-month data now available, it is possible to suggest an order of magnitude for the year 1961 as a whole. In the first nine months of the year, the Gross National Product averaged about 2 per cent above the same period of 1960. The rise in final product prices between the two periods amounted to about 1 per cent, so that, in physical volume, production was up over a year earlier by about 1 per cent. The post-war average increase in the physical volume of output amounted to approximately 4 per cent a year.

### PRODUCTION

Output in physical volume showed an increase of about 2.5 per cent from the second to the third quarter of 1961, after adjustment for seasonal variation. The quickening tempo of economic activity was apparent in almost all industry groups, but was particularly evident in the goods-producing industries, where the impact of the down-turn has been chiefly felt. Output in this group was up about 3.5 per cent, as opposed to an increase of less than 1.5 per cent in the service-producing industries. Manufacturing production advanced by 3.5 per cent, with widespread increases in both the durable and non-durable goods-producing industries.

to all countries. and represented 27 per cent of Canada's shipments Economic Community amounted to \$502 million. markets. Purchases by Britain and the European than 41 per cent of Canada's total exports to all ties amounted to over \$2 billion in 1960 - more all product groups, and sales of these commodities. Canadian exports of metals and minerals lead to undertaken in Europe. was a man all the recognition of the increasing importance of metals and minerals in Canada's export trade, and in the to evaluate effects of various factors on the levels of Lake Ontario, to determine the possibility of regulating Lake Ontario so as to reduce the range of water levels to determine desirable changes in existing works or other measures in the public interest, and to evaluate the effects of changes in existing works and other measures on various international navigation and power. The Commission's recommendation for Lake Ontario of a range of stage of 344.0 feet to 348.0 feet (as nearly as possible) was accepted by the two governments in December 1952. In its Order to The Commission's investigations were organized to evaluate effects of various factors on the levels of Lake Ontario, to determine the possibility of regulating Lake Ontario so as to reduce the range of water levels to determine desirable changes in existing works or other measures in the public interest, and to evaluate the effects of changes in existing works and other measures on various international navigation and power.