The Investment Institute
by UniCredit

Coffee Break

Coffee Break is our daily publication, offering topical insights as an intellectual ingot to start the day.

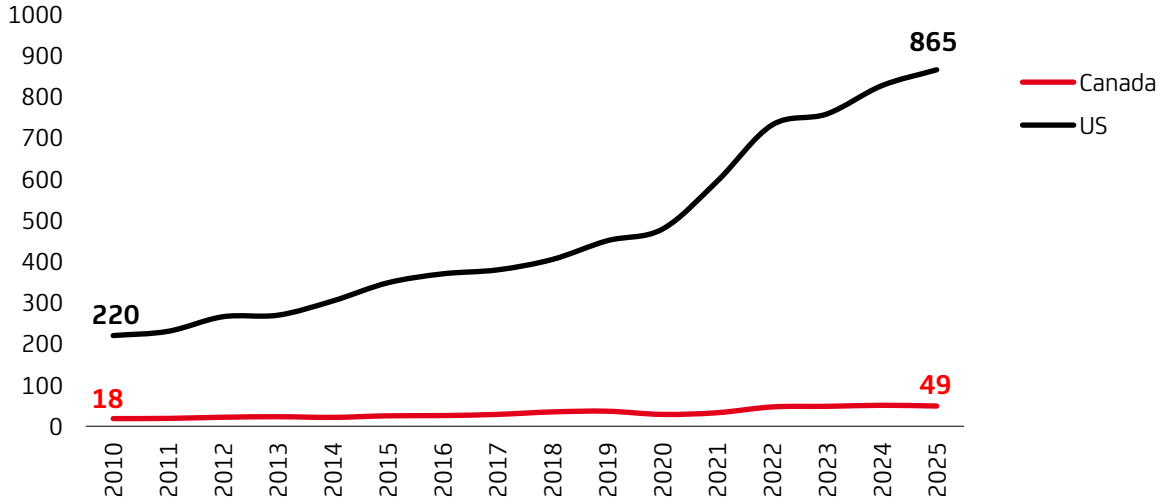
Europe's Canadian option

29 October 2026

A digital trade deal between the EU and Canada is within reach, but the bigger prize lies in critical minerals, defence and economic security.

EU-CANADA SERVICES TRADE GROWS, BUT TRADE WITH THE US DOMINATES

EXPORTS AND IMPORTS OF SERVICES BETWEEN EU AND CANADA/US, IN EUR BN



Source: Eurostat, The Investment Institute by UniCredit

THE CONTEXT

Today, Canadian Prime Minister Mark Carney welcomes the presidents of the European Commission and the European Council to Montreal for a two-day summit. One potential deliverable is a digital trade agreement, complementing CETA (Comprehensive Economic and Trade Agreement) with new rules on cross-border data flows, data storage and software protection. Negotiators have reportedly come close to finalising the agreement, which would especially benefit the services sector. But the ambitions go much further. The summit may also explore EU Commission President Ursula von der Leyen's proposal to make Canada the EU's first-ever "associate member". However, no such membership category currently exists and several EU governments, including Germany and France, have raised objections to the terminology, while broadly supporting closer cooperation.

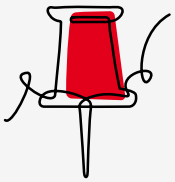
THE DATA

The EU and Canada are hardly starting from scratch. CETA has been provisionally applied since 2017, eliminating almost all tariffs. In the last 10 years, bilateral trade in goods and services has increased by about 80%, reaching EUR 130bn in 2025. Yet our chart illustrates that trade with Canada remains modest compared with flows between the EU and the US. In 2025, EU services trade with the US amounted to EUR 865bn – almost 18 times as much as with Canada (nearly EUR 50bn). Of course, Canada has neither the economic scale nor the global corporate presence of the US, which dominates global technology and financial services, including software and cloud computing. But growing industrial cooperation with Canada also creates new opportunities for services businesses, especially with the support of a comprehensive digital trade deal.

OUR VIEW

While such a deal would be another important step forward, the bigger strategic opportunity for Europe lies elsewhere. Canada fits the EU strategy of securing supply chains, reducing strategic dependencies and strengthening its defence capabilities particularly well. The summit should therefore also be judged more by further tangible results in these areas and less by bold promises of an unprecedented partnership.

- **Resources:** Canada has substantial resources of critical raw materials. In March, the European Investment Bank and Canada signed an agreement to explore financing such projects.
- **Defence:** Canada has already become the first non-European country to participate in the EU's SAFE (Security Action for Europe) defence financing program. This gives Canadian defence companies preferential access to Europe's expanding market for military equipment and reduces the EU's dependence on US suppliers.
- **Arctic:** Canada's geographical position and its extensive knowledge of the Arctic offer opportunities for cooperation on maritime surveillance, access to natural resources and digital connectivity. This comes as Russia expands its military activities in the region, while China has been showing growing interest in Arctic routes and resources. Last week, the EU unveiled its new Arctic strategy, which puts greater emphasis on these issues, while seeking closer cooperation with partners such as Canada.



OTHER THINGS TO NOTE

ECB and BoJ on hold

Today, we expect the ECB to keep its depo rate at 2.50% following a hike in September. The impact of sovereign tensions on the outlook for monetary policy is likely to be a prominent topic during the press conference. For further details, see our *ECB Preview* – Walking a fine line between inflation and sovereign risk. Likewise, the BoJ will likely maintain its key rate at 1.25% overnight. With BoJ Governor Kazuo Ueda warning that underlying inflation is approaching the 2% target, the central bank is set to call for another rate hike by December.

TODAY'S DATA RELEASES

Time (CET)	Country	Data	Period	UniCredit	Consensus	Previous
11:00	EZ	European Commission Economic Sentiment (index)	Oct	98.0	-	97.9
13:30	US	Real GDP (% qoq annualised)	3Q	3.0	3.0	2.2

13:30	US	PCE core inflation (% yoy)	Sep	3.0	3.1	3.0
13:30	US	PCE core inflation (% mom)	Sep	0.3	0.3	0.2
13:30	US	Personal expenditures (% mom)	Sep	-	-	0.6
13:30	US	Personal income (% mom)	Sep	-	-	0.2
14:15	EZ	ECB depo rate (%)	-	2.50	2.50	2.50
14:15	EZ	ECB refi rate (%)	-	2.65	2.65	2.65
30 October						
-	JP	BoJ announces key rate (%)	-	1.25	1.25	1.25
00:30	JP	Consumer price index, CPI (Tokyo, % yoy)	Oct	-	-	2.7
00:30	JP	Core CPI (Tokyo, % yoy)	Oct	-	-	2.7
00:50	JP	Industrial production (% mom)	Sep	-	-	-2.4
07:30	FR	Real GDP (% qoq)	3Q	0.1	-	0.0
08:00	SP	Real GDP (% qoq)	3Q	0.6	-	0.7

Source: Bloomberg, The Investment Institute by UniCredit

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