

Geostrategic analysis

The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

October 2025 edition



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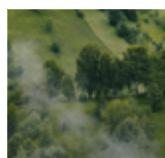
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Rising interest payments strain fiscal space globally, signaling higher sovereign risk and tighter capital conditions.

EY-Parthenon Geostrategic Business Group (GBG)

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Top development

Fiscal uncertainties and major elections will shape European politics in October.

What happened

On 8 September, François Bayrou became the fourth prime minister to resign during French President Emmanuel Macron's second term, following a failed confidence vote over his plans to address France's fiscal deficit. Former Defense Minister Sébastien Lecornu was swiftly appointed as his successor but has not yet formed a government.

In the UK, questions over personal tax affairs led to the resignation of Deputy Prime Minister Angela Rayner and triggered a cabinet reshuffle by Prime Minister Keir Starmer, adding to concerns about the government's stability ahead of the highly anticipated Autumn Budget.

What's next

In France, the political instability – which has been ongoing since the June 2024 snap elections failed to produce a stable parliamentary majority – will continue. Prime Minister Lecornu must form a government and broker a budget deal between the parties on the center-right (favoring welfare cuts) and the center-left (pushing for tax hikes). Failure to pass a budget by year-end could lead to his removal, contributing to higher political uncertainty and the risk of early elections, which could further increase France's high borrowing costs¹ compared with its Western European peers.

In November, the UK Chancellor of the Exchequer is expected to announce measures to address a growing deficit². The government faces limited options, however, due to its pledge³ not to raise income tax, VAT or national insurance. With welfare cuts politically risky, targeted tax changes (e.g., on gambling) may be introduced to reassure investors and stabilize borrowing costs.

Elsewhere in Europe, October elections in the Czech Republic may return the populist ANO party, which currently leads the polls, to power. Such a result could align the country with Hungary and Slovakia on Eurosceptic and pro-Russia policies. This could weaken EU unity on Ukraine and Russia sanctions. In the Netherlands, snap elections offer a chance to end prolonged political deadlock as current polling⁴ suggests a centrist coalition may be viable.

For more information, contact [Famke Krumbmüller](#).

European Commission President Ursula Von Der Leyen will face a second vote of no confidence in October. Put together, these developments highlight that policymaking in Europe is becoming increasingly unpredictable, as fiscal challenges, political fragmentation, social tensions and support for populist parties are increasingly prevalent in the region.

Business impact

Major sectors affected include banking and capital markets, industrial products, government and public sector, and infrastructure.

Fiscal pressures in the UK and France may lead to higher taxes, reduced subsidies and rising borrowing costs, all of which could put pressure on corporate financing. Rising policy uncertainty could weigh on corporate investment, even as tax increases and welfare cuts could further limit demand and economic growth. Social tensions regarding these reforms, including potential strike action, may further disrupt operations.

In the Czech Republic, a populist government would likely bring tax cuts and infrastructure investment but also reduced support for renewables and stricter migration policies, creating mixed implications for businesses.

Meanwhile, the formation of a centrist government in the Netherlands would offer some policy stability, and thereby improve the investment climate and enable more predictable strategic planning for companies operating there.

Executives should use scenario analysis to assess the potential impact of shifting government spending and taxation priorities on their revenue growth targets and consider improving operational efficiency. To prepare for policy change in countries with elections, executives should analyze potential regulatory changes in terms of their business impact (e.g., employing foreign workers) and consider mitigating measures.

Additional reading: [EY Europe Attractiveness Survey 2025](#)

¹ French 10-Year Government Bond Yield | MarketWatch (marketwatch.com) <https://www.marketwatch.com/investing/bond/tmbmkfr-10y?countrycode=bx>

² UK Economic Outlook: Chancellor's Trilemma | National Institute of Economic and Social Research (niesr.ac.uk) <https://niesr.ac.uk/publications/uk-economic-outlook-chancellors-trilemma?type=uk-economic-outlook>

³ Chancellor Chooses a Budget to Rebuild Britain | UK Government (gov.uk) <https://www.gov.uk/government/news/chancellor-chooses-a-budget-to-rebuild-britain>

⁴ Netherlands Poll of Polls | Politico Europe (politico.eu) <https://www.politico.eu/europe-poll-of-polls/netherlands/>

Sector in focus: Mining and metals

Rising trade barriers threaten global mineral and metal supply.

What happened

Competition has intensified across key stages of the mining supply chain, with governments escalating tariffs, restricting exports and implementing industrial policies to secure control over mining, processing and refining of minerals to both safeguard national interests and increase their global competitiveness.

China has focused on securing supplies of strategic minerals through successive five-year plans since 1953, shaped by domestic priorities, international market dynamics and geopolitical considerations.

In the US, national security concerns are the stated reason behind tariffs on steel and aluminum⁵ imports, semi-finished copper products and copper-intensive derivative products, and expected tariffs on critical minerals. The US Department of Defense also recently invested in a rare earths miner.

What's next

Supply dynamics for mining and metals will continue to span the globe, with geographies beyond China and the US having significant impacts. Policies in South America and Africa will influence global supplies and prices, for instance, as these geographies will be the new frontiers for expansion to meet supply gaps. The outcome of Chile's presidential election in November will be an important signpost for the future policy direction of resource-rich countries.

For more information, contact [Paul D. Mitchell](#) and [Angie Beifus](#).

Disrupted trade routes and supply relationships will continue to lead to new players seeking to fill the void. For instance, Saudi Arabia⁶ is positioning itself as a "swing investor" in critical mineral supply chains, partnering with Western governments (e.g., the UK, Australia, the US) and progressing opportunities in Africa.

Business impact

Targeted tariffs will likely continue to impact metals and minerals markets, capital costs and investment decisions and, over time, will influence talent and innovation. Mining and metals executives should consider diversifying export destinations, realigning trade routes and redirecting products to alternative markets when necessary. Similarly, executives of companies that rely on metals as a critical input should explore diversifying suppliers.

Reciprocal tariffs on key mining jurisdictions and markets such as Canada and the BRICS countries are likely to increase costs and impact the availability of equipment, chemicals and other inputs. These second-order effects highlight that executives need to monitor the broader impacts on global economic growth and potential demand.

Additional reading: [Top 10 business risks and opportunities for mining and metals in 2026](#)

⁵. Fact Sheet: President Donald J. Trump Takes Action to Address the Threat to National Security from Imports of Copper | The White House (whitehouse.gov) <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-takes-action-to-address-the-threat-to-national-security-from-imports-of-copper/>

⁶. Saudi Arabia Has Strategic Advantage in Sourcing Critical Minerals in Africa | CSIS (csis.org) <https://www.csis.org/analysis/saudi-arabia-has-strategic-advantage-sourcing-critical-minerals-africa>

3 Other issues we are watching

Japan's US\$550B US investment pledge, China's tech-focused Five-Year Plan, ASEAN's push for trade and digital integration.

Investment commitments in US-Japan agreement pose risks and opportunities

The US-Japan Strategic Trade and Investment Agreement⁷ signed in early September provides the detail for the bilateral trade deal the US and Japan announced in late July. That deal was similar to the deals struck with other US trading partners including the EU⁸ and South Korea, so many analysts expect the US-Japan agreement to provide a template for other countries' bilateral negotiations with the US. While both governments framed the agreement as a success, there are indications that it is unpopular among the Japanese public. The ruling Liberal Democratic Party (LDP) lost its majority in upper house legislative elections in July, and Prime Minister Shigeru Ishiba resigned just days after signing the agreement.

Business impact: The agreement includes a commitment by Japan to invest \$550 billion in the US economy, targeted at sectors including energy, semiconductors, critical minerals, pharmaceuticals and shipbuilding. Given that Japan is already the largest foreign investor⁹ in the US and that \$550 billion is equivalent to about 14% of Japanese GDP, most observers expect private capital to be involved. Japanese companies in these sectors may face government pressures and *incentives* to invest in the US in the coming years. The new US Commerce Department Investment Accelerator¹⁰ may also help companies to fast-track larger investments. If similar agreements are signed with other US trading partners, companies in those markets should expect similar inducements and incentives – although the durability of these agreements may be called into question if domestic political pressures intensify.

For more information, contact [Courtney Rickert McCaffrey](#).

China's new Five-Year Plan will emphasize technology self-sufficiency

In late October, the Communist Party of China plans to convene the Fourth Plenary Session in Beijing. The meeting, led by the Politburo and attended by all Central Committee members, will focus on solidifying China's strategic direction through the 15th Five-Year Plan. The plan will likely reinforce the importance of economic self-sufficiency and domestic technological innovation – particularly the commercial application of technologies such as artificial intelligence (AI) in manufacturing. The plan may also accelerate the development of a demand-led, market-based economy, as Beijing seeks to rely less on exports and investment for future growth.

⁷. Fact Sheet: President Donald J. Trump Secures Unprecedented U.S.-Japan Strategic Trade and Investment Agreement | The White House (whitehouse.gov) <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-secures-unprecedented-u-s-japan-strategic-trade-and-investment-agreement/>

⁸. Joint Statement: United States-European Union Framework Agreement on Reciprocal Fair and Balanced Trade | European Commission (policy.trade.ec.europa.eu) https://policy.trade.ec.europa.eu/news/joint-statement-united-states-european-union-framework-agreement-reciprocal-fair-and-balanced-trade-2025-08-21_en

⁹. Direct Investment by Country and Industry, 2024 | U.S. Bureau of Economic Analysis (bea.gov) <https://www.bea.gov/news/2025/direct-investment-country-and-industry-2024>

¹⁰. Establishing the United States Investment Accelerator | The White House (whitehouse.gov) <https://www.whitehouse.gov/presidential-actions/2025/03/establishing-the-united-states-investment-accelerator/>

Business impact: This expected emphasis on market-based discipline means that firms that rely on state support may face a more competitive environment as government subsidies and tax breaks are gradually reduced, including those to foreign multinationals. The likely concentration of fiscal resources on technological innovation hubs could boost growth and investment in certain regions of the country. But foreign multinationals in *strategic sectors*, such as *automotives*, *advanced manufacturing* and *biotechnology*, are likely to face stiffer domestic competition. Executives at both Chinese and foreign companies should seek to align their commercial strategy with China's long-term strategic economic growth ambitions while remaining cognizant of geopolitical factors.

For more information, contact [David Li](#).

ASEAN Summit will seek to increase intra-regional trade and supply chain resilience

The 47th ASEAN Summit will be held in Kuala Lumpur, Malaysia, on 26-28 October. Leaders of ASEAN member states and key dialogue partners, including US President Donald Trump, Chinese Premier Li Qiang and Brazilian President Luiz Inácio Lula da Silva, plan to attend. A key expected outcome is the intent to establish a framework to increase intra-regional trade resilience, including the reduction of non-tariff barriers and addressing illicit transshipment networks. ASEAN members also plan to agree on a Digital Economic Framework Agreement (DEFA) to increase regional interoperability of data and digital regulations.

Business impact: ASEAN leaders continue to position themselves as a multi-aligned region amid ongoing geopolitical challenges, particularly US-China competition. Industries that rely on complex supply chains across the Asia-Pacific region and export their goods to global markets will likely face continued risks of trade barriers and compliance challenges. Such risks are elevated by member states' increased efforts to combat trade fraud and illegal transshipment, such as those announced by Vietnam earlier in the year. Nevertheless, member state consensus on enhanced trade facilitation and strengthening supply chain resilience is a positive signpost for companies that are considering deepening their long-term presence in the region. In particular, *strategic sectors* involving digital trade and supply chains within the Asia-Pacific region are likely to be prioritized for greater regional integration and favorable access to regional markets.

For more information, contact [David Li](#).

4 Geostrategic indicator of the month

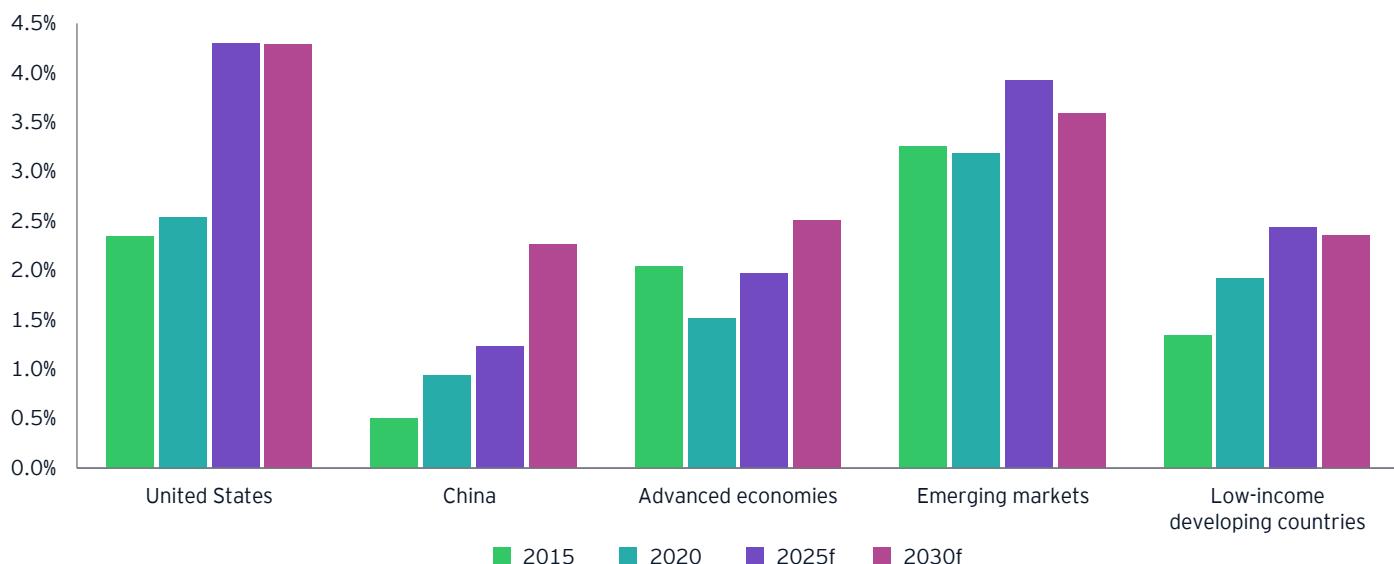
Rising interest payments strain fiscal space globally, signaling higher sovereign risk and tighter capital conditions.

The indicator

Interest payments as a share of GDP are a key indicator of fiscal sustainability and political risk. In the near term, this burden is rising across advanced, emerging and low-income economies. For instance, the US is projected to spend more than 4% of GDP on interest payments in 2025, surpassing defense outlays¹¹. And China's interest costs are climbing steadily, reflecting growing debt levels amid slowing growth¹². Low-income countries face elevated interest payments – projected at over 10% of fiscal revenues by 2027¹³ – despite efforts to consolidate budgets.

Government interest expenses are rising, constraining fiscal space across economies

General government interest expenditure (% of GDP)



Source: IMF, World Economic Outlook database; and IMF staff calculations

Business impact: These trends will be central to the IMF-World Bank Annual Meetings in mid-October. Historically high sovereign debt levels in many markets could increasingly affect the cost and availability of capital for both governments and companies. And as elevated interest expenses constrain fiscal space, the risks will rise of policy shifts, austerity measures or sovereign debt stress – particularly in emerging and low-income economies. Executives should monitor fiscal indicators and reassess exposure to high-debt jurisdictions. Companies with public sector clients or cross-border exposure should prepare for potential budget tightening and regulatory changes.

Additional reading: [2025 Geostrategic Outlook](#)

¹¹. The Budget and Economic Outlook | Congressional Budget Office (.cbo.gov) <https://www.cbo.gov/publication/61172>

¹². China's Path to Sustainable and Balanced Growth | IMF Working Paper (imf.org) <https://www.imf.org/en/Publications/WP/Issues/2024/11/15/Chinas-Path-to-Sustainable-and-Balanced-Growth-557369>

¹³. Global Economic Prospects: June 2025 | World Bank (worldbank.org) <https://thedoctors.worldbank.org/en/doc/8bf0b62ec6bc886d97295ad930059e9-0050012025/related/GEP-June-2025-Box-1-2.pdf>

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