

## PEST ANALYSIS

A scan of the external macro-environment in which the firm operates can be expressed in terms of the following factors;

Political Factors	Economic Factors
<p>Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:</p> <ul style="list-style-type: none"> <li>• Tax policy</li> <li>• Employment laws</li> <li>• Environmental regulations</li> <li>• Trade restrictions and tariffs</li> <li>• Political stability</li> </ul>	<p>Economic factors affect the purchasing power of potential customers and the firm's cost of capital. The following are examples of factors in the macro environment:</p> <ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Interest rates</li> <li>• Exchange rates</li> <li>• Inflation rates</li> </ul>
Social Factors	Technological Factors
<p>Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include:</p> <ul style="list-style-type: none"> <li>• Health consciousness</li> <li>• Population growth rate</li> <li>• Age distribution</li> <li>• Career attitudes</li> <li>• Emphasis on safety</li> </ul>	<p>Technological factors can lower barriers to entry, reduce minimum efficient production levels and influence outsourcing decisions. Some technological factors include:</p> <ul style="list-style-type: none"> <li>• R&amp;D activity</li> <li>• Automation</li> <li>• Technology incentives</li> <li>• Rate of technological change</li> </ul>