

PEST Analysis

An analysis of Political, Social, Economic and Technological factors reveals external influences that can affect a business's performance. These factors must be taken under consideration when evaluating the operating environment for a new business. Brainstorming sessions involving people with different knowledge and expertise is a useful way to conduct a PEST analysis.

Things to consider:

Political Factors:

- *direct and indirect taxes*
- *corporate taxation*
- *public spending by local governments*
- *local competition laws*
- *local business practices – legal and ‘questionable’*
- *availability of education and training for workforce*

Economic Factors:

- *business cycle – period of rapid, slow or no growth?*
- *employment levels*
- *inflation rates*
- *interest and exchange rates*
- *house prices*
- *economic development*

Social Factors:

- *population growth*
- *age structure – is it a young or aging population?*
- *rural to urban migration*
- *social and cultural shifts, including*
 - *attitudes toward risk taking*
 - *position of women in society*

Technological Factors:

- *level of expenditure on R & D by competitors*
- *new markets – does new technology open up a new market?*
- *production methods – can they be improved? Are competitors already moving ahead?*
- *rate of adoption of new technology*