**PEST analysis**

PEST analysis (political, economic, socio-cultural and technological) describes a framework of macro-environmental factors used in the [environmental scanning](https://en.wikipedia.org/wiki/Environmental_scanning) component of [strategic management](https://en.wikipedia.org/wiki/Strategic_management). It is part of an external analysis when conducting a strategic analysis or doing [market research](https://en.wikipedia.org/wiki/Market_research), and gives an overview of the different macro-environmental factors to be taken into consideration. It is a strategic tool for understanding market growth or decline, business position, potential and direction for operations.

The basic PEST analysis includes four factors:

Political factors relate to how the [government](https://en.wikipedia.org/wiki/Government) intervenes in the economy. Specifically, political factors have areas including [tax policy](https://en.wikipedia.org/wiki/Tax_policy), [labour law](https://en.wikipedia.org/wiki/Labour_law%22%20%5Co%20%22Labour%20law), [environmental law](https://en.wikipedia.org/wiki/Environmental_law), [trade restrictions](https://en.wikipedia.org/wiki/Trade_restriction), [tariffs](https://en.wikipedia.org/wiki/Tariffs), and political stability. Political factors may also include goods and services which the government aims to provide or be provided ([merit goods](https://en.wikipedia.org/wiki/Merit_good)) and those that the government does not want to be provided ([demerit goods](https://en.wikipedia.org/wiki/Demerit_good) or merit bads). Furthermore, governments have a high impact on the [health](https://en.wikipedia.org/wiki/Health), [education](https://en.wikipedia.org/wiki/Education), and [infrastructure](https://en.wikipedia.org/wiki/Infrastructure) of a nation.

Economic factors include [economic growth](https://en.wikipedia.org/wiki/Economic_growth), [exchange rates](https://en.wikipedia.org/wiki/Exchange_rate), [inflation rate](https://en.wikipedia.org/wiki/Inflation_rate), and [interest rates](https://en.wikipedia.org/wiki/Interest_rate). These factors greatly affect how businesses operate and make decisions. For example, interest rates affect a firm's [cost of capital](https://en.wikipedia.org/wiki/Cost_of_capital) and therefore to what extent a business grows and expands. Exchange rates can affect the costs of exporting goods and the supply and price of imported goods in an economy.

Social factors include the cultural aspects and health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. High trends in social factors affect the demand for a company's products and how that company operates. For example, the ageing population may imply a smaller and less-willing workforce (thus increasing the cost of labour). Furthermore, companies may change various management strategies to adapt to social trends caused from this (such as recruiting older workers).

Technological factors include technological aspects like [R&D](https://en.wikipedia.org/wiki/R%26D) activity, [automation](https://en.wikipedia.org/wiki/Automation), technology incentives and the rate of [technological change](https://en.wikipedia.org/wiki/Technological_change). These can determine [barriers to entry](https://en.wikipedia.org/wiki/Barrier_to_entry), minimum efficient production level and influence the [outsourcing](https://en.wikipedia.org/wiki/Outsourcing) decisions. Furthermore, technological shifts would affect costs, quality, and lead to [innovation](https://en.wikipedia.org/wiki/Innovation).

Expanding the analysis to PESTLE or PESTEL adds:

Legal factors include [discrimination law](https://en.wikipedia.org/wiki/Discrimination_law), [consumer law](https://en.wikipedia.org/wiki/Consumer_law), [antitrust law](https://en.wikipedia.org/wiki/Antitrust_law), [employment law](https://en.wikipedia.org/wiki/Employment_law), and [health and safety law](https://en.wikipedia.org/wiki/Health_and_safety_law). These factors can affect how a company operates, its costs, and the demand for its products.

Environmental factors include ecological and environmental aspects such as weather, climate, and [climate change](https://en.wikipedia.org/wiki/Climate_change), which may especially affect industries such as tourism, farming, and insurance. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Other factors for the various offshoots include:

Demographic factors include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, employment status, religious belief or practice, culture and tradition, living standards and income level.

Regulatory factors include acts of parliament and associated regulations, international and national standards, local government by-laws, and mechanisms to monitor and ensure compliance with these.

More factors discussed in the SPELIT Power Matrix include:

Inter-cultural factors considers collaboration in a global setting.

Other specialized factors discussed in chapter 10 of the SPELIT Power Matrix include the Ethical, Educational, Physical, Religious, and Security environments. The security environment may include either personal, company, or national security.

Other business-related factors that might be considered in an environmental analysis include Competition, Demographics, Ecological, Geographical, Historical, Organizational, and Temporal.