

# Pest analysis of china

[Finance](#), [Financial Analysis](#)



A PEST analysis is one of strategic tools for analyzing the environmental influences including political, economic, social and technological factors on the business. (Porter, M. , 1985) In this essay, it is going to explain about current china economy and analyze it For instant, it countries' government or organizations have argument causing a war, which will be unstable in economy and society. Then, people feel unsecured about government, jobs and their daily life. If their business have big loss or company closes down, leads to lose Jobs. Therefore, they can not afford to purchase product and make company less profit or loss. It will be a wicked economic cycle. However, no matter how develop the domestic economy is, it is better to keep the environmental survival ability for next generations.

The environmental regulations could keep environmental friendly and maintain the balance between economy development and sustainable development. Economic factors: Economic factors influence a business directly, because they affect capital availability, cost, supply and demand. If demand is high, and the capital cost is low, which attract ore investment on the company and produce more product to make profitable. However, during economy recession period, there is still chances for some small potential corporations accessing business market and competing with others.

Recent years, China economic growth rapidly. Overall, it can be reflect from industrial sectors. Since from late 1978, China becomes market oriented economy. China gains tremendous in production of agriculture. Even though, there are more than half people rely on agriculture for living, the agriculture sector has less influence for gross domestic product. At the same time, labor

input decreases in most of industries, due to labor productivity improvement and the migration from rural workers to urban areas.

In the opposite, through the adjustment of secondary industry and tertiary industry, they become unrepeatable roles to GAP. (Eke-shah G, 2001) It provides activities as knowledge, skills, as well as experience, entertainment to improve the quality of business. (Assai H, 2009) Due to its foreign trade liberation and investment, the income has been dramatically rising after joining the WTO. Moreover, the demand for material and energy resource is also increasing. They import and process materials, then sell the final products. In addition, the Bank of China as central bank in china.

It uses monetary policy to increase or decrease interest rates and control the amount of money in the economy to achieve steady economic growth.

Normally, government will not lend money to business company directly, it has to deposit money from bank of china first. Also, the central bank reduce lending to companies and individuals, according to the increasing amount of money they put with central bank. Moreover, the central bank also guide country bank to increase ore reserves and its ratio, such as 16. 5% for big bank, 14. 5% for small bank, in case of any financial crisis or loan needs.

At the same time, bank of china will control conflict and surplus, as well as increase tax for import product. Because if they increase tax, people would rather purchase and import product with those money, not saving them into bank. (Brasher K, 2010) Government expenditure is to purchase goods and service, allocate funds efficiently and invest on doing domestic infrastructure; for hightechnologyinnovation andeducation, as well as social

security payments. Technically, increasing government spending can be met china's economy development need.

By 2002, the government spending has increased to 5.5% of GAP, which shows a good trend. (Marina M, 2006) During inflation period, the economy is lack of investment, and exports will suffer from inflation, as inflation increase the price to exports and encourage imports. Also, the most industrialized countries will be adjusted to increase their interest rates, which will be pay back through loans in the markets, which demonstrate that government try hard to control foreign flow-in cash. Environmental factors: The environmental factors affect organizations. Rosily, capital markets is determined by Chinese government. Government increase their expenditure, which could increase money supply for organization and make capital markets boom. Based on organization performance, the shareholders will decide to provide more equity funding or sell the shares. The labor market indicates that the availability of certain skills and the labor costs at different regions or industries in China, which are under the power of the training and government policies, as well as the inflation, industries sectors' needs, and trade unions.

At last but not the least, China focus on being environment-friendly society. As china daily said, china will have an international green industry expo in Beijing in Novo of 2010, which will let others know more about domestic corporations and offer a new stage for them, also foreign companies are likely to explore Chinese green market and develop a green economy in china, such as clean energy, emission reductions, low carbon technology and

so on. (Zinnia, July 2010) social: Income distribution is unequal within different areas and industries.

For example, the average income has 2.6 times in east of china of the west of china. There are several reasons for it: the laid-off people who do not going to work, less desire for consuming due to the recession of economy, less social guarantee from Chinese government, huge income gap between urban and rural. The more income distribution expanding, the more motivation for economic growth, also can be obstacle for economic growth. Unequal income distribution and poverty will be barriers for china's growth.

Thus, government need adjust the taxation system, reduce income difference in different field, improve the social security for to make people life more secure. (Owing X, 2007) As to lifestyle changing, nowadays, there are more people choose working at home, it will be more connivance and easier for employment who want to keep balance between family and work. Also, with the number of single households increasing, company more like to assign this type of employees to work abroad or other regions where is far away from home.

Because they have less responsibility for family and less homesick. They will more easier to devote all themselves into work and adapt new multicultural work environment. (Lu D, 2009) For attitudes of work and leisure, people becomes more understanding and legible. They are not only focus on work any more, more like to enjoy life after done with workload. In company, they will organize leisure activities for employees. On the one hand, they can

improve the ability of communication and colonization; on the other hand, they can have a healthy mind, healthy body.

Moreover, education is becoming more and more important for everyone. Therefore, Chinese government encourage international schools join venture with Chinese public schools to exchange culture and learning skills, also as business company, they will organization business restoration for employment, or assign them to study abroad, to introduce more advanced knowledge and valuable experience from people who are from different culture background. People can not work well, without good living conditions.

So that government pay more attention on housing amenities pollution with specific policies and regulations to control air/noisy pollution, creating a sustainable friendly living environment. Technology: Government and industry focus on technological effort, so government spend large amount of money on research, to develop and explore high technology innovation, also to speed the technology transfer. In china, the energy demand growth become slow down these years. China consumed less energy than the U. S. In 2009. Energy consumption growth fell to 5.2 percent in 2009 from 16.6 percent in 2004. Energy use per unit of gross domestic product dropped 15.6 percent in the four years started 2006. China wants to reduce its energy use per unit of GDP by 20 percent in the five years through 2010. To reduce reliance on energy, china plans to conserve energy and reduce emission. As the sample of more-polluting fossil fuels, the Chinese government spent \$34.6 billion on clean-fuel projects last year, almost double the 18.6 billion

invested by the U. S. (Zinnia , Gag 2010) High technology information development has a significant role in the china economy.

As the internet and technology moving forward, it drive the success of the china economy. The trade barriers decrease, which produce more Job opportunities in the field of information Technology. Moreover, the expenditure of high-technology consumers are covering all over the world, such as computer and networking hardware, software and services, that is over than \$1. 4 trillion in 2005. Also, that worldwide IT spending increase by 10 % over every year. The technology information widely spreading make the whole world become closer and make life easier. Hey also can do business and do shopping at home, no need even go out, you just can find any information. With internet, business company like to have online teaching program for employment to upgrade their personal profile. They also choose internet for online meeting, consulting, to delivery the ideas to fellows, managers, customers, and business partners. (Porter, M. , 1985)

Conclusion: In a conclusion, as well known, china is the fastest developing country, which has many potential business opportunities.

However, it is important to Judge and make sure the investment environment before running a business in china. PEST strategy as showed above analyze the external business environment to give a general picture of the operated business environment. So that company can take advantage of the appropriate opportunities and minimize the threats. If company can make correct strategic planning, it will offer a stable and solid environment for a company to grow into the future. Read more: <http://www. Essays.>

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