

# Country Analysis: PESTEL analysis & Atlas of Economic Complexity



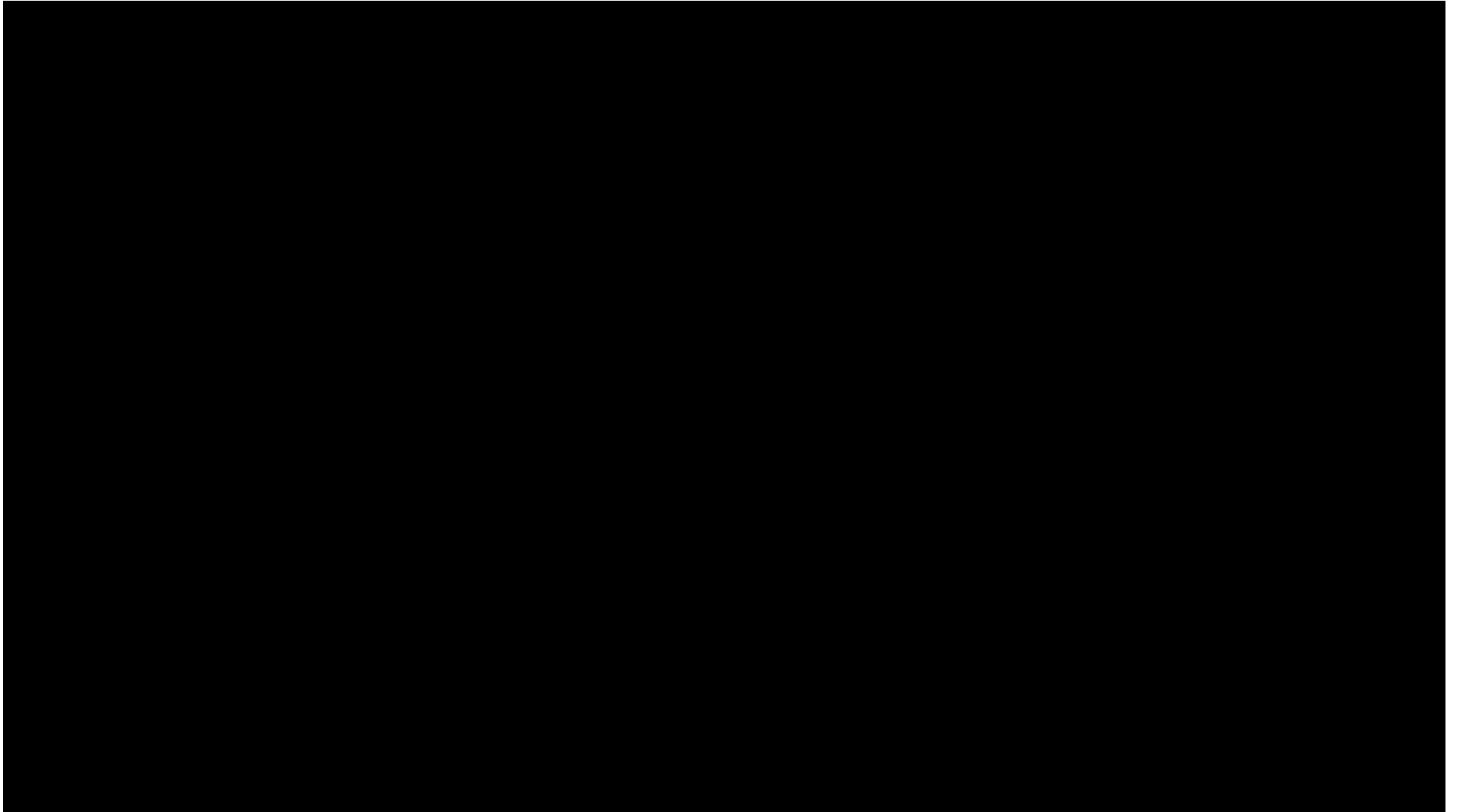
# PESTEL Analysis

A PESTEL analysis is a strategic management tool or framework to gauge & analyze and screen the external business environment. Different macro-environmental factors can affect business strategies. So, it is vital to follow the PESTEL framework in order to assess how exactly the factors influence business performance.



Video on PESTEL analysis

<https://youtu.be/noSF-R1JfGk>



# Political Factors in the PESTEL analysis

Politics plays an important role in business. This is because there is a balance between systems of control and free markets. As global economics supersedes domestic economies, companies must consider numerous opportunities and threats before expanding into new regions.

This category can sometimes combine laws (from the legal group) since the government and their bills are closely linked.

Some of the political factors to watch are:

- Tax policies
- Stability of government
- Entry mode regulations
- Social policies (e.g. social welfare etc.)
- Trade regulations (e.g. the EU & NAFTA)
- Trade traffics
- Labor regulations
- Health & Safety

# Economic Factors in the PESTEL analysis

Economic factors are **metrics** that **measure** the **health** of any **economic region**. Any business or product will be affected by general economic factors such as goods, services, monetary value or currency. **Indicators** like **exchange rates**, **GDP**, and **inflation** are **critical** to management. These factors help find out how an economy **might react** to certain **changes**.

Some examples of economic factors for PESTEL analysis are:

- Disposable income of buyers
- Credit accessibility
- Unemployment rates
- Interest rates
- Inflation
- Exchange rates

# Social Factors in the PESTEL analysis

Social factors assess the mentality of individuals or consumers in a given market/Country. These are also known as demographic factors. This category focuses on buying behavior and how consumer needs can affect the value and necessity of a product or service.

The following are some social factors to focus on:

- Population demographics: (e.g. aging population)
- Distribution of Wealth
- Changes in lifestyles and trends
- Educational levels
- Cultural differences
- Ethnicities
- Employment
- Location

# Technological Factors in the PESTEL analysis

This step entails recognizing the potential technologies that are available. Technological advancements can optimize internal efficiency and help a product or service from becoming technologically obsolete. The role of technology in business is increasing each year. This trend will continue because R&D drives new innovations.

Recognizing continuously evolving technologies to optimize internal efficiency is a great asset in management.

Below is a list of common Technological factors:

- New discoveries and innovations
- Rate of technological advances and innovations
- Rate of technological obsolescence (Outdated)
- New technological platforms

# Environmental Factors in the PESTEL analysis

Sometimes referred to as 'ecological' factors, these factors involve physical changes. Both consumers and governments penalize firms for having an adverse effect on the environment. Governments levy huge fines upon companies for polluting. Companies are also rewarded for having a positive impact on the environment. Consumers are willing to switch brands if they find a business is ignoring its environmental duties.

The impact on the environment is a rising concern. Note that the environment benefits the company too. Running water for a hydro-power plant is an example.

A few common environmental factors of the PESTEL framework are:

- Waste disposal laws
- Environmental protection laws
- Energy consumption regulation
- Popular attitude towards the environment



# Legal Factors in the PESTEL analysis

This step involves **learning** about the **laws and regulation**, in other words, ways in which particular laws may affect business, ideas, or concepts. It is **critical** for **avoiding unnecessary legal costs**. They're created by the government, which is why they are sometimes weaved within the political section of PESTEL analysis. Many legal issues can **affect** a company that does not **act responsibly**. This step helps to **avoid legal pitfalls**.

Common legal factors that companies focus on include:

- Employment regulations
- Competitive regulations
- Health and safety regulations
- Product regulations
- Antitrust laws
- Patent and Copyright infringements
- Import/Export laws

# Why use the PESTEL Framework?

When you go through each of the six categories and [apply the research to your business, product, or concept](#), you will understand what is standing in the way of its success. It is common to [conduct a PESTEL analysis before serious strategic decisions](#). Understanding all the [influencing factors](#) is the first step to [addressing](#) them.

Remember, there are many factors other than these which can have an effect on business success. The evaluation is a [one-to-one process](#). Each company should do it for themselves and [find the key drivers of change](#). You must identify the [factors](#) which have [strategic and competitive consequences](#).

Analyzing the total macro-environment is an extensive task. Even though, it is [complex](#), [understanding](#) the PESTEL framework of [basic influences](#) will allow you to maintain an organized and strategic approach. These will [isolate each opportunity or threat](#).

# Plotting the impact of PESTEL factors

## Brainstorm the FACTORS:

Political, Economic, Social, Technological, Environmental & Legal

## Priorities:

Organize the list of items you have made for each area with most important at the top.

Don't spend too long at this stage.

Just make rapid lists.

## Focus on the most important:

Take the top 6 items in each of the 6 lists.

## Score the impact:

Low, Medium, High.

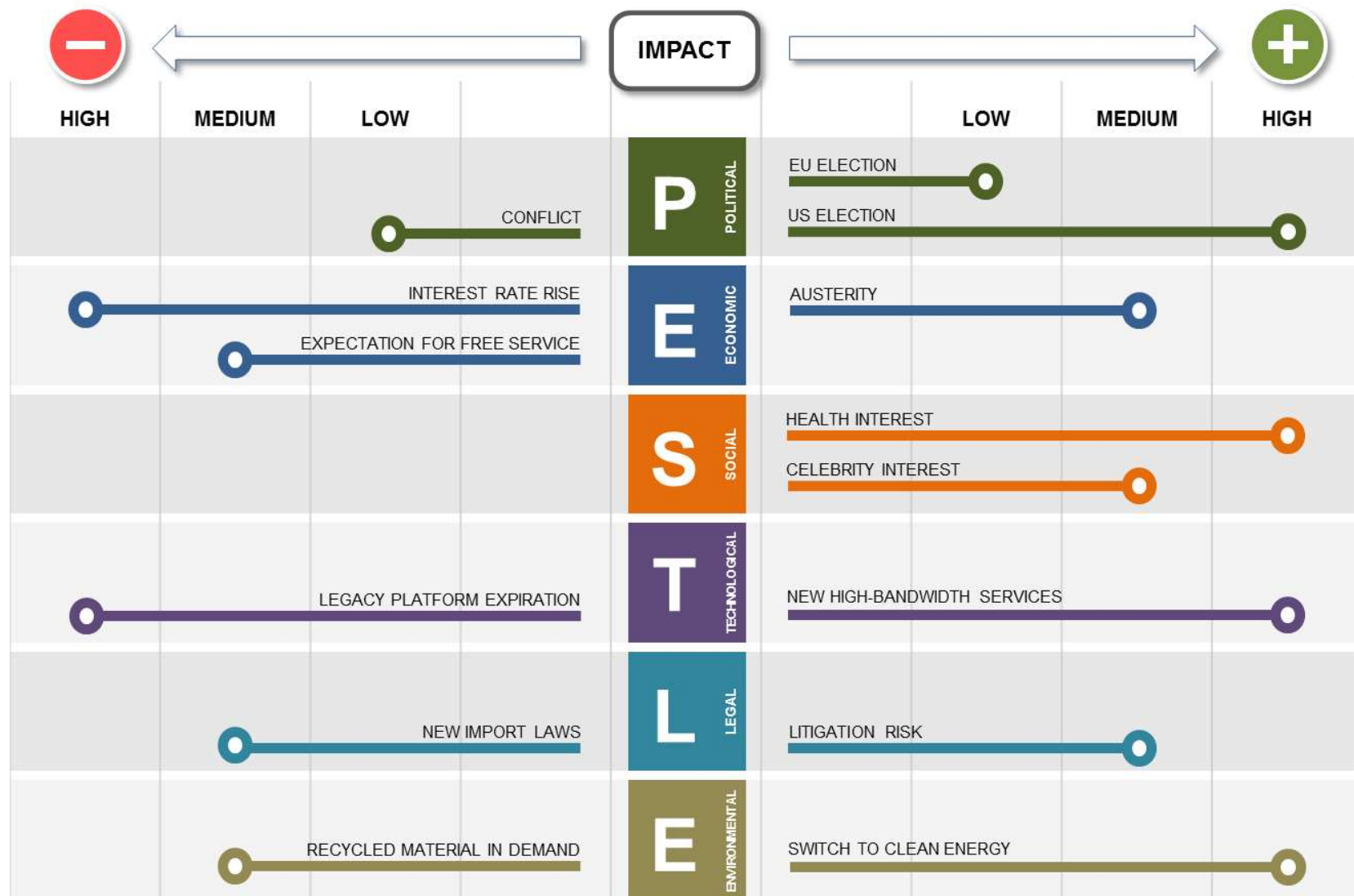
## Present it:

Arrange the findings onto a 1-side document format.

Use a pestle analysis template

Promote it, so that your team bears these factors in mind.

# PESTLE IMPACT MAP – POSITIVE & NEGATIVE



# PESTEL Analysis of India

## Political Factors:

Businesses and their profitability relies on the political stability of the place they are operating for business. The political metrics of PESTEL analysis encompass the [government rules and laws](#) that [directly affect](#) the finances of an industry. These include [foreign trade policy](#), [income tax](#), [service tax](#), [sales tax](#), [labor law](#), [tax policy](#), [environmental law](#), [corruption](#), and more.

Political issues directly impact the capital market of a country. For many years India has been going through political turbulence owing to the [dispute with neighboring countries](#). Political crises, including politician's interests, differences in ideology, and others, influence the state's well-being. Though the [situation has improved](#) a little in the last few years, the political factor remains a concern.

Overall, India [offers political stability](#) for businesses to thrive. India is a republic country and the world's largest democracy. However, they should [cope with the challenges posed by corruption](#). Only then country's economic growth will take place.

The country has made [several attempts](#) to [reduce government or political interference](#) in enterprises, start-ups, and business operations in general through [privatization](#). It will help businesses to grow independently.

# PESTEL Analysis of India

## Economic Factors:

These factors determine the profitability of a business and help them set short-term and long-term goals. Economic growth, inflation, employment, and unemployment rate, the purchasing power of consumers are factors determining the company's financial performance. Businesses set their supply-demand model after assessing these factors.

- The **increasing GDP** of the country promises **growth opportunities** for businesses.
- Since the economic reform in 1991, especially after the formation of FIBP, India's **liberal industrial policies** have ensured **increased foreign investment** in the country. It has proven to be a **boost** for the economy.
- According to PESTEL analysis, the **taxation policies** of the Indian government are **favorable for business expansion** in the country. Besides, the **widespread domestic market** possesses many **new opportunities** for businesses.

# PESTEL Analysis of India

## Social Factors:

Factors shaping and molding the consumer attitude come under the social category. These are the socio-cultural norms of a place, traditions, values, beliefs, population growth, health concerns, lifestyle, career attitude, and more. It helps industries to know the taste and preferences of the target audience.

- India is a land of **diversity**. The company must be **aware** of the **local culture, beliefs, acceptability**, and other things to run a business in the nation. The firm should also know about the **availability** of the **local workforce** and **demand** for products.
- The country's **population benefits** the businesses. Since the **majority** are **working-population**, it is **easier** for industries to look for laborers that too in **affordable labor fees**.
- The **massive domestic market** of the country is another reason why multinational companies are **favoring** this country for business expansion. **Increased standard of living** and **changing lifestyle** are the reasons behind.

# PESTEL Analysis of India

## Technological Factors:

Technological advancement plays an essential role in the growth of the economy. Innovation, automation, technological awareness impacts the business operation. It influences the production, distribution, and communication with consumers.

- India's **technology industry** is **steadily growing**. The country has one of the **most robust IT sectors** that **ensure constant software up-gradation and advancement**.
- More and more **foreign tech** companies are **investing** in India thanks to its **technological advancement**.
- PESTEL analysis of India suggests that investment for technological advancement will benefit the state's economic growth in the future.



# PESTEL Analysis of India

## Environmental Factors:

Inclination towards environmental awareness can open up more growth opportunities for businesses in India because sustainability is the key. These include scarcity of raw materials, pollution, carbon footprint, climate change etc. Growing concern over environmental issues is a result of the ongoing ecological crises. Businesses must come up with innovative strategies to combat it.

- The **increasing demand for eco-friendly products and processes** among consumers has changed the demand-supply model, and companies are **compelled to change** their strategies to **adopt the change**.
- The **diverse and unpredictable** nature of the Indian **climate** can **harm** the companies especially, their **infrastructure**.
- Industrialization has been a concern for the country with **rising pollution** and its **negative effect on health and safety**. Companies must introduce the **plan for sustainability like recycling, better waste management system**, and more.
- The **natural beauty attracts many tourists**. It can boost the country's economy and businesses.

# PESTEL Analysis of India

## Legal Factors:

Often, legal parameters overlap the political factors of PESTEL analysis of India. These cover equal opportunities for all, advertising, discrimination law, copyright law, consumer rights, and others. These are viable, especially for the foreign companies looking for a trade opportunity in India.

- Companies **must abide** by the **rule and laws** exclusive to each country or region they operate.
- Recent **changes** in some **recycling, employability and discrimination law** can affect the company's pricing and labor cost.
- Flexible regulations regarding foreign trade in the country offer growth opportunities to foreign brands.

# PESTEL Analysis of India



- Political issues directly impact the capital market of a country.
- Overall, India offers political stability for businesses to thrive. India is a republic country and the world's largest democracy.



## Economic

- The increasing GDP of the country promises growth opportunities for businesses.
- The taxation policies of the Indian government are favorable for business expansion in the country



## Social

- India is a land of diversity.
- The country's population benefits the businesses.



## Technological

- India's technology industry is steadily growing. The country has one of the most robust IT sectors that ensure constant software up-gradation and advancement.
- More and more foreign tech companies are investing in India thanks to its technological advancement.



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# PESTEL Analysis of Airlines Industry



## P *olitical*

- Internal emergency, war, or political instability can hinder the business of any airline company.
- The government has set up some strict rules and guidelines for the operation of an airline which can ensure the utmost security of the passengers.



## E *conomic*

- Recession and unstable economic conditions can severely affect the airline industry.
- Due to the pandemic, many countries have temporarily suspended flights from other countries.



## S *ocial*

- The industry, like airlines, needs to maintain a clear image.
- The airline companies are all about hospitality and services.



## T *echnological*

- The companies need to invest in technology and bring in continuous changes to ensure the security and safety of the passengers.
- As a service-providing industry, the airlines can incorporate constant technological changes to improve their services.



## E *nvironmental*

- The airlines need to improve their systems and flights to decrease harmful emissions.
- They can calculate the carbon footprint for being responsible to the environment.



## L *egal*

- Most countries have some rules concerning the service.
- There are some conditions with the employee conditions and flight times of which the airlines should be careful.





# 1. Political Factor

- ❖ Coca Cola products are tested by FDA. It should follow the rules of a country. It should also provide the local stores with the best beverages.
- ❖ The rules can be related to accounting, internal marketing, labour or taxes.
- ❖ Countries may prevent it from distributing its products if all the rules are not followed well.

# PESTEL Analysis of Amazon

P Political	E Ecological	S Sociological	T Technological	E Economic	L Legal
<ul style="list-style-type: none"><li>• Governmental support cybersecurity and smooth operation of e-commerce, which favors Amazon's business</li><li>• The political stability of developed countries works in favor of Amazon</li></ul>	<ul style="list-style-type: none"><li>• Amazon has growth opportunities assessing its ecological factor.</li></ul>	<ul style="list-style-type: none"><li>• Amazon depends on technology to replace employees</li><li>• Easy availability of products and doorstep delivery are some reasons behind the popularity of Amazon among the young ones</li></ul>	<ul style="list-style-type: none"><li>• The expansion of operations of Amazon has led it to face challenges even from the technology firms</li><li>•</li><li>• The live chat option makes them easily accessible</li></ul>	<ul style="list-style-type: none"><li>• Amazon has extended its services worldwide with the help of government aid</li><li>• The large variety that Amazon offers attracts consumers even when they are not seeking something expensive.</li></ul>	<ul style="list-style-type: none"><li>• Amazon abides by the rules and regulations.</li><li>• Efforts such as complicating the environmental protection regulations have helped it to strengthen the brand image.</li></ul>

# PESTEL Analysis: Advantages & Disadvantages

Pestle analysis is cost effective	You can't be sure of the external factors staying the same
It gives you deep understanding	A pestel analysis seems like a simple presentation
Conducting a pestle analysis makes you more alert	Gathering vast information is not easy
It helps you in identifying the opportunities	Lack of information may lead you to feed assumptions in it

Country Analysis: The Atlas of Economic Complexity

Link: <https://atlas.cid.harvard.edu/>



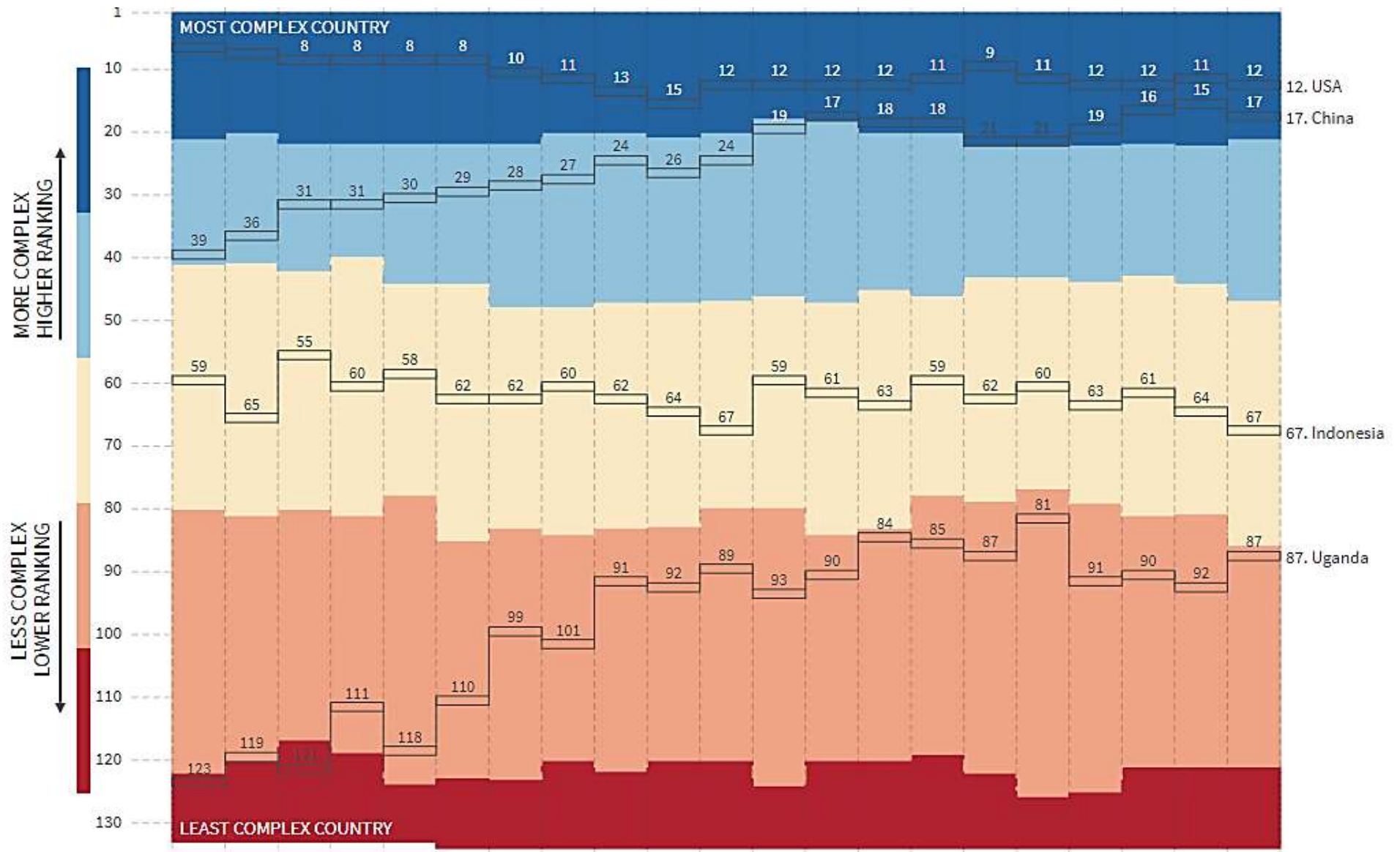
**Economic Complexity:** The economic complexity of a country is calculated based on the **diversity of exports** a country produces and their **ubiquity**(presence everywhere), or the number of the countries able to produce them (and those countries' complexity).

Countries that are able to **sustain a diverse range of productive know-how, including sophisticated, unique know-how**, are found to be able to **produce a wide diversity of goods, including complex products** that few other countries can make.

**ECI:** A **rank of countries** based on **how diversified and complex** their **export basket** is.

The complexity of a country's exports is found to highly predict current income levels, or where **complexity exceed expectations** for a country's income level, the country is predicted to experience more **rapid growth** in the future. **ECI** therefore **provides** a useful **measure of economic development**.

# Country Analysis: Economic Complexity ranking



# Country Analysis: The Atlas of Economic Complexity

## What is the Atlas of Economic Complexity?

The Atlas of Economic Complexity is an award-winning data visualization tool that allows people to explore global trade flows across markets, track these dynamics over time and discover new growth opportunities for every country. Built at the Harvard Kennedy School of Government, The Atlas is powered by Harvard's Growth Lab's research and is the flagship tool of The Viz Hub, the Growth Lab's portfolio of visualization tools.

The original online Atlas was launched in 2013 as a companion tool to the book, The Atlas of Economic Complexity: Mapping paths to Prosperity. Today, The Atlas is used worldwide by policymakers, investors, entrepreneurs, academics and the general public as an important resource for understanding a country's economic structure.

# Country Analysis: The Atlas of Economic Complexity

The Atlas places the **industrial capabilities** and **knowhow** of a country **at the heart** of its **growth prospects**, where the **diversity** and **complexity** of **existing capabilities** heavily **influence** how **growth** happens. The tool combines **trade data** with synthesized insights from the Growth Lab's research in a way that is **accessible and interactive**. As a dynamic resource, the tool is continually evolving with new data and features to help answer questions such as:

- What does a country **import and export**?
- How has its trade **evolved** over time?
- What are the **drivers** of export growth?
- Which **new industries** are likely to emerge in a given geography? Which are likely to **disappear**?
- What are the **GDP growth prospects** of a given country in the next 5-10 years, based on its productive capabilities?

# Country Analysis: The Atlas of Economic Complexity

## ECI : Economic Complexity Index



**U.S.A.**



**China**



**India**

# Country Analysis: The Atlas of Economic Complexity

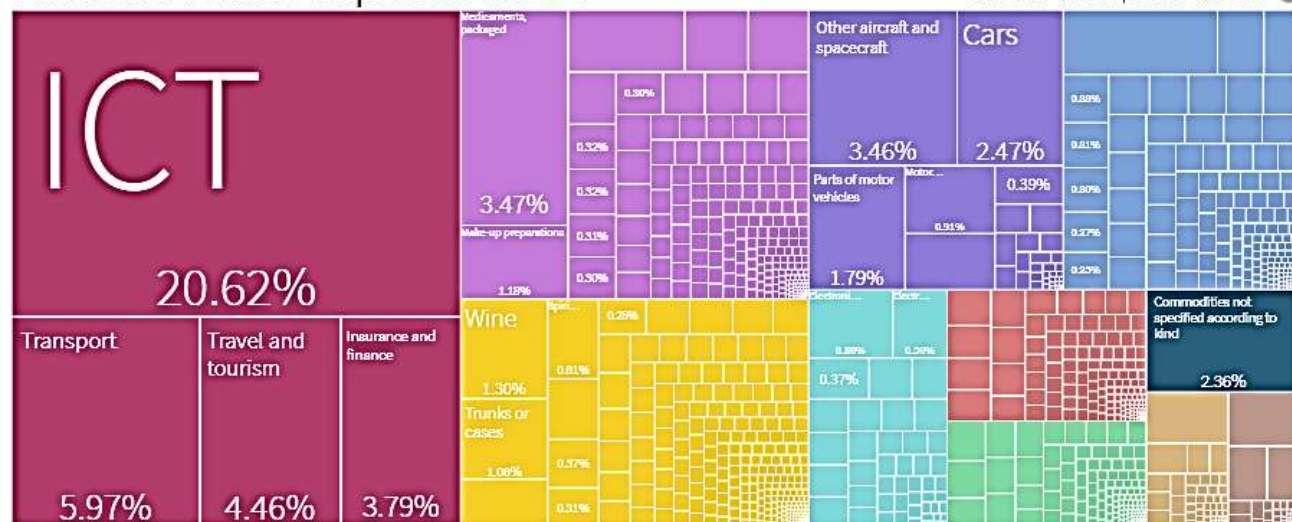
## ICT – Information & Communications Technology

**ATLAS**  
OF ECONOMIC COMPLEXITY

EXPLORE COUNTRIES DATA LEARN PUBLICATIONS ABOUT

What did France export in 2020?

Shown: \$732B | Total: \$732B



PRODUCT SECTORS



SEARCH IN VISUALIZATION

2020

BUILD VISUALIZATION

SETTINGS

Please select one:

COUNTRY

PRODUCT

France (FRA)

TRADE VISUALIZATIONS

Exports

Imports

Tree Map

Geo Map

Over Time

Global Share

By Product

By Partner

Data Download

Image Download

Share

Guide

Data Notes

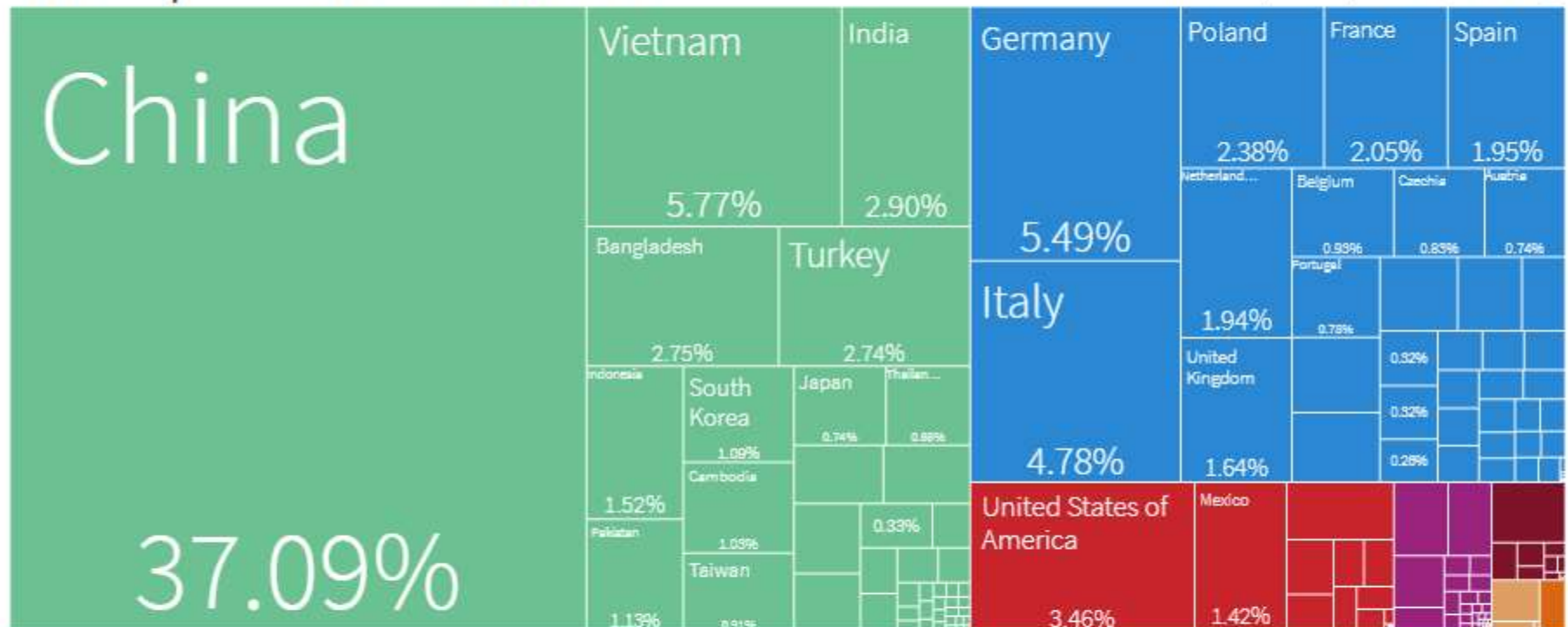
Glossary



# Country Analysis: The Atlas of Economic Complexity

## Who exported Textiles in 2020?

Shown: \$1.14T | Total: \$1.14T ⓘ



Africa Asia Oceania Europe North America South America Other

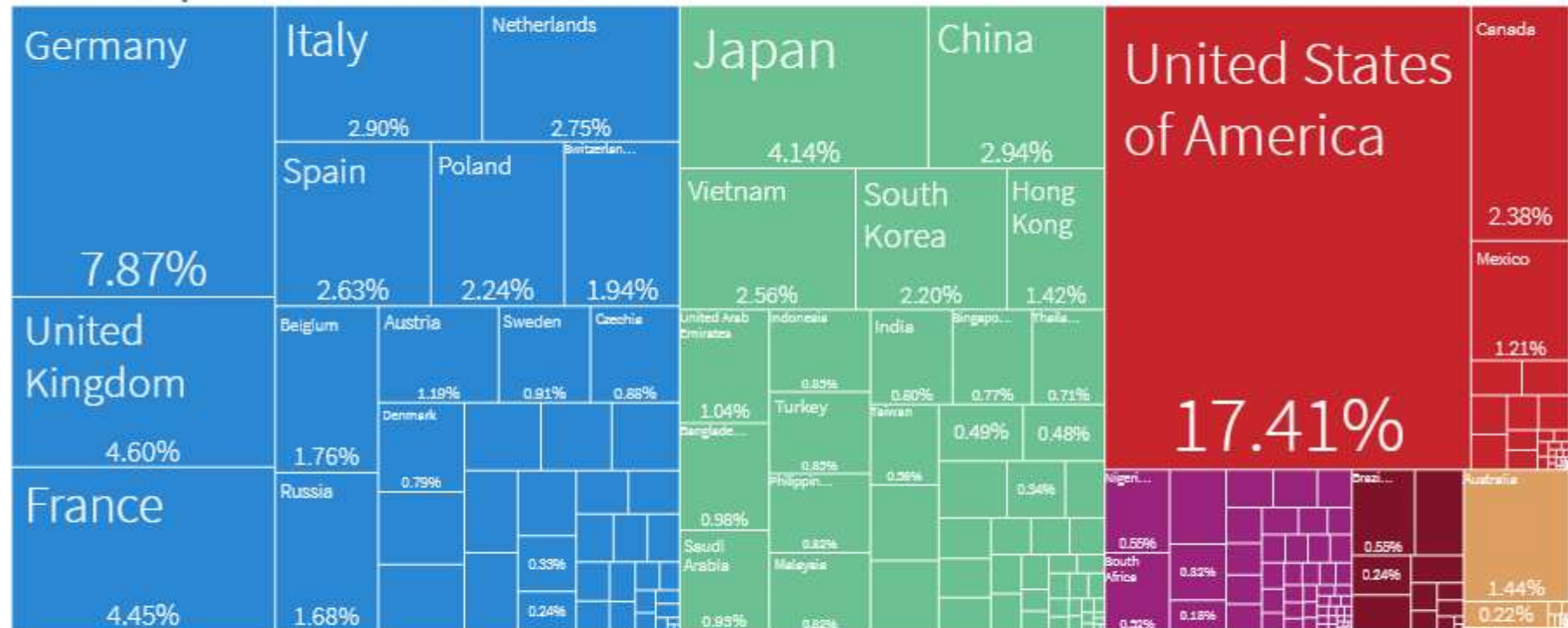
SEARCH IN VISUALIZATION ⓘ



# Country Analysis: The Atlas of Economic Complexity

## Who imported Textiles in 2020?

Shown: \$1.14T | Total: \$1.14T ⓘ



Africa Asia Oceania Europe North America South America Other

SEARCH IN VISUALIZATION ⓘ

2020

1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020



# India: The Atlas of Economic Complexity



## INDIA

India is a lower-middle-income country, ranking as the 104th richest economy per capita out of 133 studied. Its 1.38 billion inhabitants have a GDP per capita of \$1,927 (\$6,503 PPP; 2020). GDP per capita growth has averaged 2.4% over the past five years, above regional averages.

India ranks as the 46th most complex country in the Economic Complexity Index (ECI) ranking. Compared to a decade prior, India's economy has become more complex, improving 8 positions in the ECI ranking. India's improving complexity has been driven by diversifying its exports. Moving forward, India is positioned to take advantage of many opportunities to diversify its production using its existing knowhow.

India is more complex than expected for its income level. As a result, its economy is projected to grow rapidly. The Growth Lab's 2030 Growth Projections foresee growth in India of 5.2% annually over the coming decade, ranking in the top decile of countries globally.

Country Profile raw data is provided by UN COMTRADE (HS 1992) and the World Bank's World Development Indicators. Coverage is provided for a limited set of countries, depending on population, total trade volume, and sufficient data disclosure. Learn more about Atlas data [here](#).

# India: The Atlas of Economic Complexity



**ATLAS**  
OF ECONOMIC COMPLEXITY

Shown: \$475B | Total: \$475B ⓘ



2020



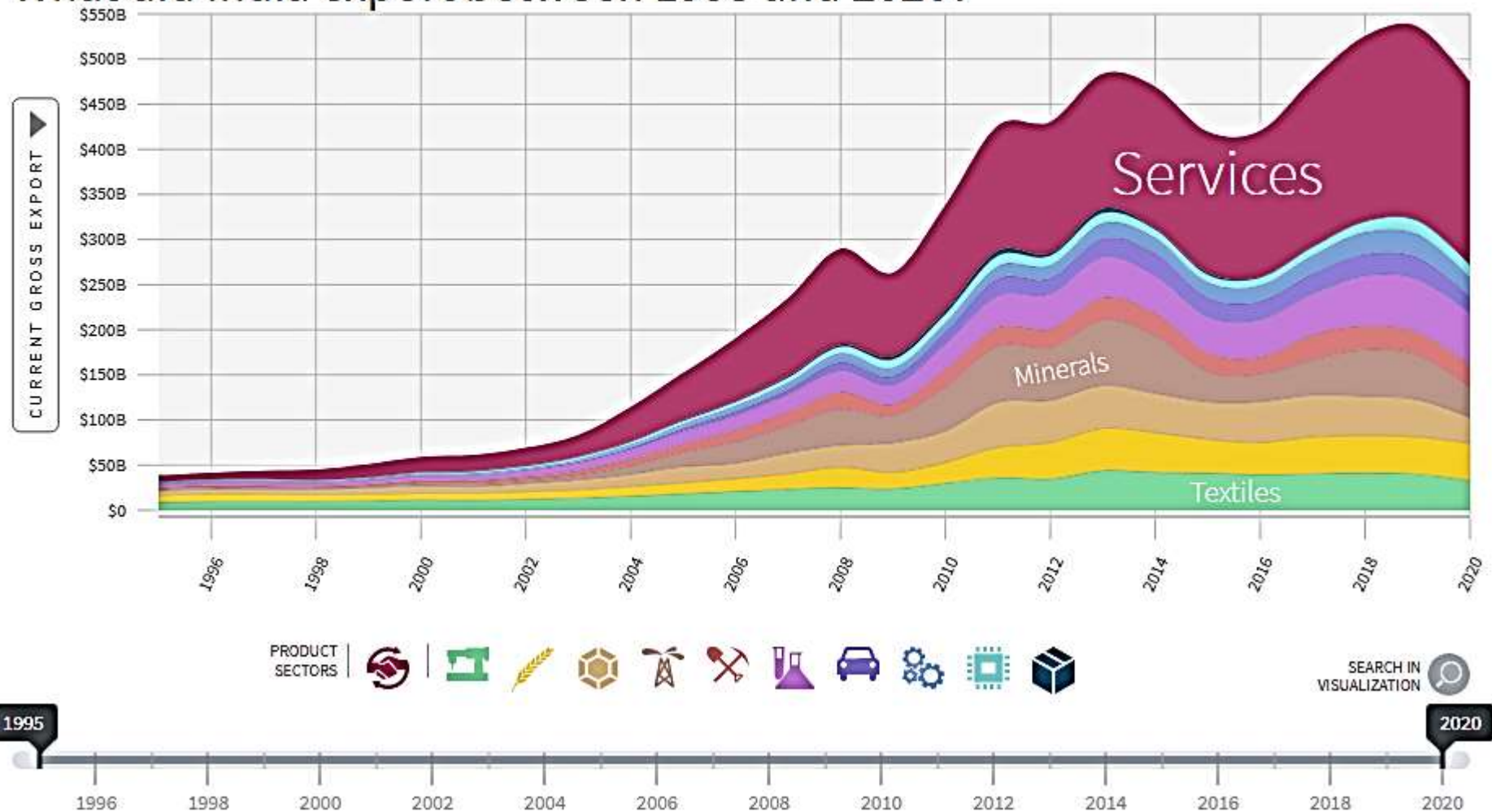


# India: The Atlas of Economic Complexity

**ATLAS**  
OF ECONOMIC COMPLEXITY

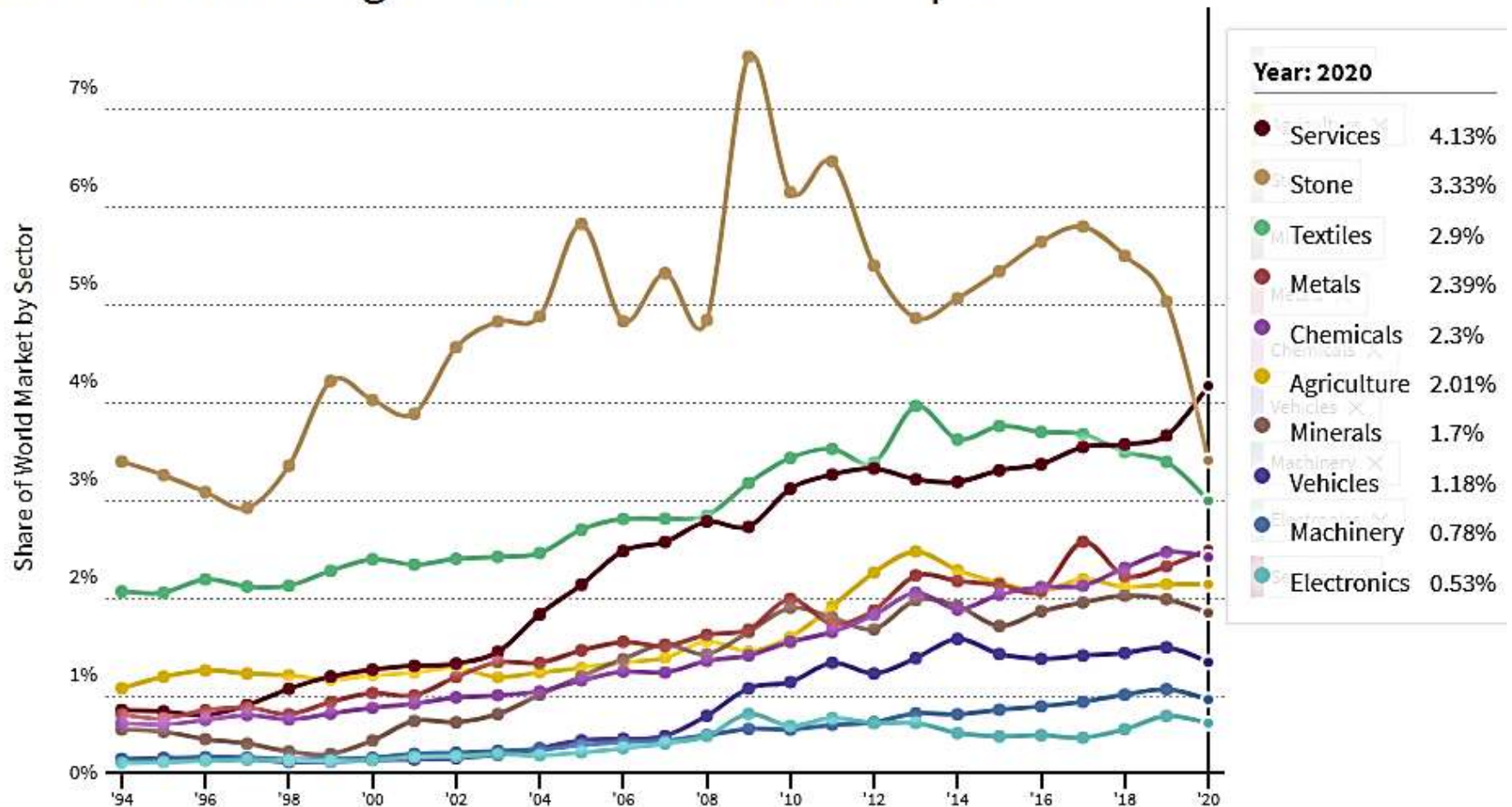
EXPLORE COUNTRY

## What did India export between 1995 and 2020?



# India: The Atlas of Economic Complexity

What share of the global market does India export?



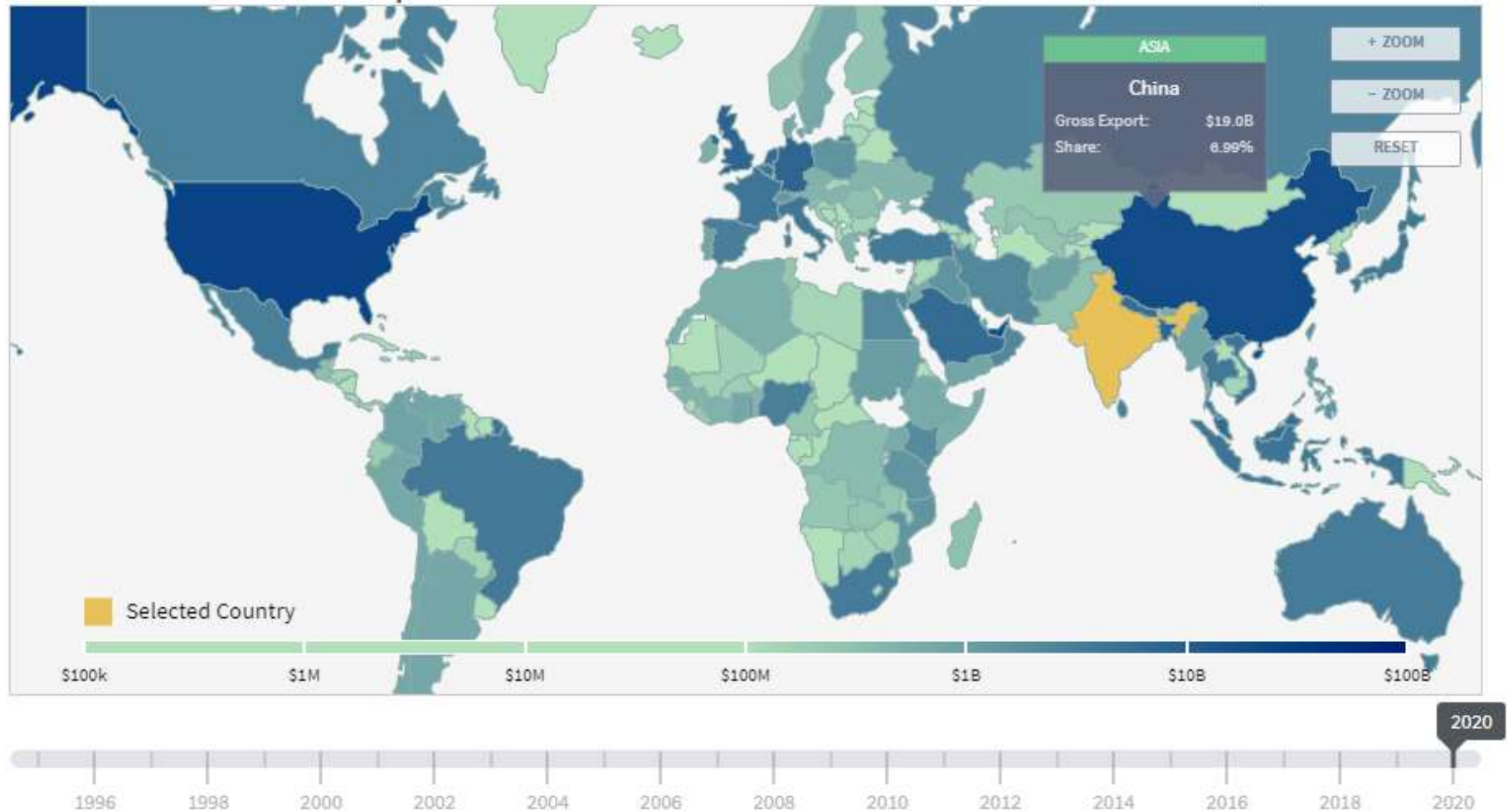
# India: The Atlas of Economic Complexity

**ATLAS**  
OF ECONOMIC COMPLEXITY

EXPLORE COUNTRY

## Where did India export to in 2020?

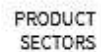
Total/Shown: \$272B ⓘ





**ATLAS**  
OF ECONOMIC COMPLEXITY

Shown: \$461B | Total: \$461B ⓘ



2020

**ATLAS**  
OF ECONOMIC COMPLEXITY

**PRODUCT SECTORS**

- Services
- Machinery
- Minerals
- Stone
- Others

**SEARCH IN VISUALIZATION**

1995 2020



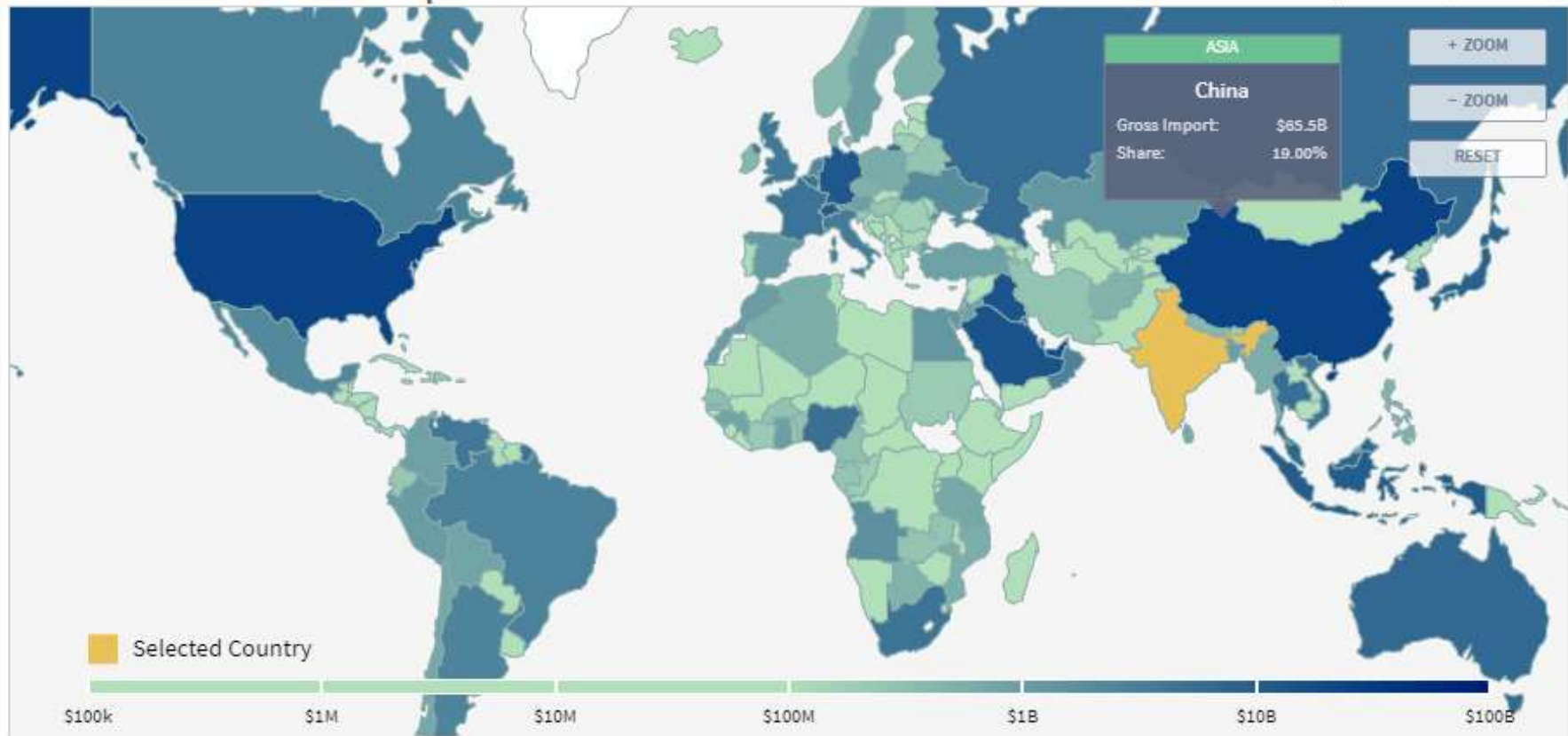
# India: The Atlas of Economic Complexity

**ATLAS**  
OF ECONOMIC COMPLEXITY

EXPLORE COUNTRY

## Where did India import from in 2020?

Total/Shown: \$345B 



2020

1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020

