

Individuals, organisations and governments are increasingly concerned about the negative impacts of business activity on the natural environment. Without government intervention, private sector businesses are unlikely to follow strict environment-friendly practices, which could either be an opportunity or a threat to a business.

External costs, such as fumes from cigarettes and noise pollution are increasing and businesses need to keep that in mind when choosing a location, as a place with too many such problems could become expensive and time-consuming to follow practices.

The extent to which businesses consider environmental issues depends on their aims, attitudes, and likely impact on their profits and resources. If compliance costs are too high, businesses might not follow them.

Weather and seasonal changes are also important opportunities/threats, depending on the industry of the firm, or the danger level of the location.

Political

The political stability of a country and the policies they follow (taxes and interest rates) can provide both opportunities and threats.

Too many policies and the level of stringency can become a threat as it could become more expensive and time consuming for businesses if taxes, for example, are higher than usual. The opposite way could be regarded as an opportunity or a threat, depending on the business' outlook.

Policies

Fiscal Policy

The use of taxation and government expenditure to influence business activities the economy. It could be **deflationary**, where the taxes are higher and government expenditure falls, to reduce inflation, or **expansionary**, where taxes are reduced and govt. expenditure increases to stimulate consumption in the economy.

Monetary Policy

The use of interest rates to affect the money supply and exchange rates in order to influence business activity. The rates could be increased to raise the cost of borrowing, as this would reduce the disposable income and therefore reduce consumption to reduce inflation. It could also be reduced to make borrowing more attractive, and therefore increase consumption in the economy.