Singapore's economy grew 2.8 per cent in 2014, and is expected to grow between 2 and 4 per cent in 2015. Here are some of the key factors that could sway growth one way or the other.

Calm or choppy?

EXTERNAL PLUSES

■ **US recovery:** The US economy enters 2015 with strong employment growth and rising wages. Stronger US demand, particularly capital spending, is expected to boost demand for Singapore exports.

■ **Fall in oil prices:** Low oil prices are expected to persist and boost global growth by benefiting both consumers and producers.

■ **Asean economies' strength:** Malaysia and Indonesia are expected to remain resilient in 2015, with healthy investment growth in both.

EXTERNAL RISKS

■ **Eurozone weakness, deflation risks:** Eurozone growth remains sluggish, ending 2014 with weak manufacturing activity in Germany and France, its two largest economies. Weak growth and persistent low inflation have led to fears that the eurozone economy may fall into a deflationary spiral.

■ **Hike in US Federal Funds rate:** There is uncertainty over when and how quickly the US Federal Reserve will raise interest rates. An unexpected tightening could cause volatility in financial markets and dampen business sentiment. But the risks from overleveraged firms and households in Singapore that are vulnerable to higher interest rates are contained.

■ **Diverging global monetary policies:** While the US Fed is moving towards higher interest rates, the European Central Bank looks set to launch quantitative easing given excessively low inflation and growth, and Japan will need to keep monetary policy loose. Such divergence could cause interest rate and currency volatility, hitting financial markets.

■ **Sharp slowdown in China:** China is expected to slow further in 2015 as the property market cools. But too sharp a property market correction could lead to a spike in loan defaults that could hit the financial system.

■ **Japan in recession:** Japan has approved an emergency stimulus to shore up its recession-hit economy. But fiscal consolidation is expected to keep growth sluggish.

■ **Geopolitical tensions:** Russia (which is expected to enter a recession in Q1 2015) and Ukraine, the Middle East, North Africa could flare up and hit market sentiment.

■ **Global Ebola outbreak:** After the world's worst ever outbreak of Ebola hit West Africa last year, concerns over a global epidemic linger.

DOMESTIC PLUSES

■ **Externally-oriented sectors** may benefit from pick-up in external demand: manufacturing, wholesale trade, finance and insurance.

■ **Potentially expansionary fiscal Budget:** As Singapore's government nears the end of its current term of office, it will be able to use cumulative surpluses to fund higher fiscal spending in FY2015, as Singapore celebrates its 50th year of independence.

DOMESTIC RISKS

■ **Manpower constraints** from economic restructuring will continue to curb the growth of labour-intensive sectors such as construction, retail, food services. A final round of quota cuts and levy hikes is due in July 2015.

■ **Languishing productivity** means that the current wage increases may become unsustainable. Higher wages with no productivity gains mean higher business costs, which could undermine profitability and the economy's competitiveness.

■ **The cooling property market** is expected to see a further drop in prices and sales volumes, which could continue to hurt demand for construction activity and real estate-related business services.

■ **Private consumption** could be weighed down too, as falling home prices make consumers feel less wealthy and spend less.

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