Singapore: inherently unstable

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After an annualised quarter-on-quarter contraction of 13 per cent in the first three months last year, [Singapore's] GDP shot up by 22 per cent in the second quarter and 15 per cent in the third. In that context, a smooth extension of that trajectory out of the longest recession since independence in 1965 was always unlikely. Even so, Singapore's lurch to a 7 per cent contraction in the final three months is worrying.

The optimistic view is that this reflects a simple inventory correction in volatile export sectors such as pharmaceuticals and transport engineering. That may be so: Singaporean manufacturing shrank by 38 per cent in the fourth quarter, having expanded by 30 in the third.

Three things:

First, if Singapore was a company you'd count it as high risk.

Or, second, you'd worry about the qualioty of its accounting, makingn it even higher riosk.

And thirdly, because there's a trend towards financial crisis in tax havens right now you'd put your money on it being one of those likely to be heading for serious trouble.

One for the short sellers, I'd say.