

2.6%  
FEWER CARS WERE SOLD  
IN AUSTRALIA LAST  
YEAR THAN IN 2010

## MARKETS & COMMODITIES

At Friday close and weekly change  
**NY Dow** 12,359.92 ▼ 55.78  
**NY Nasdaq** 2674.22 ▲ 4.36  
**London** 5649.68 ▲ 25.42  
**Tokyo** 8390.35 ▼ 98.36  
**Hong Kong** 18,593.06 ▼ 220.35  
**Oil** \$113.060/▲ 0.320  
**Gold** \$1616.80 ▼ 3.300

## CURRENCIES

US dollar 1.0229 ▼ 0.0029  
 British pound 0.6631 ▲ 0.0011  
 Euro 0.8039 ▲ 0.0020  
 Japanese yen 78.7288 ▼ 0.3809  
 NZ dollar 1.3103 ▼ 0.0032  
 HK dollar 7.9426 ▼ 0.0240  
 Indonesia RP 9302.8223 ▼ 473447  
 Swiss franc 0.9786 ▲ 0.0014

## THIS WEEK

At Friday close and weekly change  
**All Ords** 4164.50 ▼ 32.10  
**ASX 200** 4108.50 ▼ 34.20



## Off-roaders on the road in droves

ONE in every four vehicles sold in Australia last year was classified as a sports utility vehicle or four-wheel-drive.

Whether it is perceived safety, features, flexibility or fuel efficiency of diesel models, it is clear that Australians love their gutsy cars — even though they rarely take them off the road.

A record 244,136 sports utility vehicles were sold last year, according to the Federal Chamber of Automotive Industries.

Overall, 82,459 cars were sold last month, down 4.8 per cent on a year ago.

Australians bought just over one million cars during the year, down 2.6 per cent on the 2010 figure. But sales of four-wheel-drives rose 3.8 per cent in last year and 20.5 per cent year-on-year for December.



The US has recorded half a year of jobs growth, coupled now with falling unemployment rates Picture: Paul Sancya/AP

# All in a day's work

WHILE Americans cheered a solid boost in the number of jobs last month, across the Atlantic Europe's unemployment hit a fresh high, providing further evidence the region is heading for recession.

US jobs growth accelerated for the sixth month in a row and the unemployment rate shrank, evidence of strength in the labor market.

But news of America's strengthening recovery is in sharp contrast to continued rosey economic data from Europe, including factory sales and retail trade.

In the US, 200,000 jobs were created, the Labor Department's monthly survey of employers says. Private firms added 212,000 jobs, while the public sector shrank by 12,000.

**HELEN POW**  
FINANCE  
WRITER



The unemployment rate sank to its lowest level in almost three years — 8.5 per cent compared to November's 8.7 per cent.

The payroll data was far better than expected but is still significantly higher than Australia's 5.3 per cent. Economists surveyed by Dow Jones Newswires had forecast a gain of 155,000 American jobs and unemployment sticking at 8.7 per cent.

"It doesn't take a genius to work out the stats were pretty much good in every capacity."

IG Markets economist Chris Weston said.

"It's the sixth month of triple-digit growth above 100,000 and the second month above 200,000. Average hours worked went up and earnings increased by 2.1 per cent on the year. They beat estimates by some way and the unemployment number ticked down to 8.5 per cent.

"The trend is in the right place and that's what you look for in the payroll data.

"It is not about whether you beat consensus; it's the overall trend you are seeing and that trend is for job creation, and that is great."

But across the pond, European governments and markets were confronted with gloomy economic figures from Brussels:

unemployment at a record high, retail sales down and consumer and business confidence shrinking.

Last month, 16.372 million people in the eurozone were unemployed — the highest number since records began in January 1995, according to the European Union's statistics agency Eurostat.

The depressing 10.3 per cent jobless rate came as factory orders fell in Germany and the European Commission's economic sentiment indicator dropped for the 10th month in a row, sinking to its lowest level in over a year.

European retail sales fell 0.8 per cent in November from the previous month, contributing to the region's economy contracting in the last quarter of

2011. It is expected to shrink again in the first quarter of 2012, officially plunging the eurozone into recession.

"The aggregate European unemployment rate is 10.3 per cent, which is the highest level ever," Mr Weston said.

"I mean, youth unemployment in Spain is 49.4 per cent."

"All of those metrics feed into the equation that the eurozone is really struggling at the moment in terms of growth.

"If Europe is not in recession already, it is going to be," Mr Weston said.

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## To cut that mortgage rate, just vote with your feet

FOR many householders and business owners, a central issue for this year will be interest rates on mortgages and business loans.

I asked what people thought about competition among banks and if they thought there were sufficient alternatives in the market. The responses were clear: People want options, especially with regards to money matters.

When it comes to banks, and debt in general, there are three issues: cost, supply and choice.

Let's start with the cost of debt. The first mortgage comparison chart of the year, released on January 3 by Canstar's RateCity, made for interesting reading.

The big four banks' standard variable rate mortgages ranged from NAB's 7.22 per cent to Westpac's 7.36.

## Mark Bouris

EXECUTIVE CHAIRMAN OF  
YELLOW BRICK ROAD



Commonwealth's 7.31 per cent and ANZ's 7.30 were the middle-runners.

But if you look closer, you'll see some lenders providing standard variable rate mortgages at 1 per cent less than the large trading banks. Coastline Credit Union (6.39 per cent), Memberfirst Credit Union (6.17) and Rate Busters (6.36) are all lower priced.

Since most small business debt facilities are backed against residential mortgages, you can imagine business loans have a similar difference.

Why are the biggest players the most expensive? Shouldn't they have greater scale and offer cheaper mortgages? Part of the answer lies in the supply of lending funds. In Australia, more than 90 per cent of new mortgages are written by the largest four banks.

Economists call this an oligopoly, where a small group of dominant participants control an industry with high barriers to entry and the dominant participants don't compete with one another, but rather, match each other.

This means the big players gradually lift their prices in the knowledge that they will not lose market dominance.

Two things can break an oligopoly's price-matching: government intervention, either as a participant in the industry or as a regulator, or through the emergence of a "disrupter" — a new participant who finds a way to get over the high barriers to entry and genuinely compete on price, product and service.

It happened in the late 90s, when a group of disrupters, Wizard, Aussie and RAMS, entered the home-lending market and forced the big four banks to drop their interest rates margins (the difference between the cost of funds and their mortgage rate).

From 1995 to 2003, the average margin rate on

standard variable rates more than halved.

The crucial component of this industry-changing era for home lending is a third point about the current borrowing situation: borrower choice.

Ten years ago lenders such as Wizard proved that when borrowers had a choice of lenders who offered lower prices and better service, Australians would use them.

By 2003, 15 per cent of new mortgages were being written by non-bank lenders. That figure is now about 1 per cent, and mortgage margins have risen. Australians pay almost 1 per cent more to have a mortgage with one of the big four banks than with a credit union or non-bank lender.

The answer to this conundrum is not price, as there are many mortgages cheaper

than the big banks, it's choice. All those who complained in 2011 that their bank was charging too much for their mortgage should revisit their mortgage choice and analyse what is best for them.

In 2011, the government changed the legislation so that mortgage lenders could no longer charge exit fees on mortgages. And information on mortgage products has never been more widespread, thanks to the internet and the rise of mortgage brokers.

So there's no longer an excuse, if you know you can get the same mortgage for 1 per cent less than your current lender, you can switch without penalty and save.

When Australians do exercise their right to choose, they can change the whole industry for the better.