Oil, Gas and Mining People

OCTOBER 2015

DFP Mining and Resources Job Index

Introduction

Welcome to the latest edition of the DFP Mining and Resources Job Index which provides month end data for October 2015.

The Index showed further signs of stabilisation with a rise of 0.1% in job advertisements in October. Whilst only a small rise, it is the first increase since January this year, although the number of advertised vacancies is still 35.7% below that recorded 12 months ago. The contrast between Permanent and Temporary/Contract opportunities continues, with Temporary and Contract vacancies falling a further 2%, while the Permanent Index increased by 1.6%. Permanent vacancies have risen 5.7% in the last quarter. The improvement in employment prospects has been felt most positively in Western Australia with the WA index increasing 1.7% in October and 4% over the quarter. Queensland, however, is yet to see any overall improvement in demand as vacancies fell 3.2% this month and 12.9% in the last quarter.

We welcome all comments and observations. Our aim is to deliver research that is timely and informative to employers, job seekers and those with an interest in the Australian Mining and Resources job market.

National Job Index

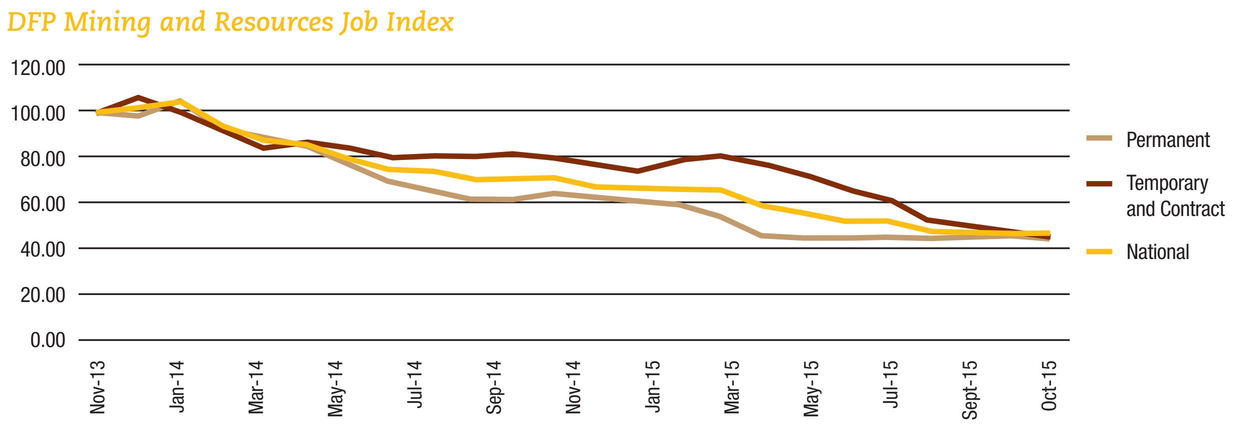

Chart 1: National Index and Job Type Analysis

October saw further encouraging signs of stabilisation in the Mining and Resources sector with the DFP Mining and Resources Job Index rising 0.1% from 46.00 to 46.07. Whilst a very small rise, it is the first increase since January this year. This rise can be seen as more significant than the rise in January as there is no seasonal factor at play.

THINKING PEOPLE

National Job Index *(continued)*

The number of vacancies is still 35.7% below that recorded 12 months ago and down 18.7% 6 months ago. However, vacancies are down only 3.8% in the last 3 months so the trend is towards a definite easing in the rate of decline. While the market remains challenging for job seekers and it's far too early to predict any bounce back, this still comes as welcome news to job seekers in the sector who have seen a massive contraction in the demand for their skills over the last 2 years.

The contrast between Permanent and Temporary/Contract opportunities continues to surprise observers. Permanent vacancies rose a further 1.6% in October, a rise of 5.7% in the last quarter. Meanwhile, Temporary and Contract vacancies fell a further 2% in October and 15.4% in the last quarter. Permanent vacancies have now risen 2.9% in the last 6 months while Temporary and Contract job advertising is down 38.3% over the same period.

These trends contradict conventional practice which would typically expect that following a significant fall in demand, employers would be more likely to return to the market more cautiously and hire temporary and contract staff before opting for permanent solutions. A possible explanation could be that the acute skills shortages seen during the boom years is still in the minds of employers, influencing decisions to "lock in" staff permanently.

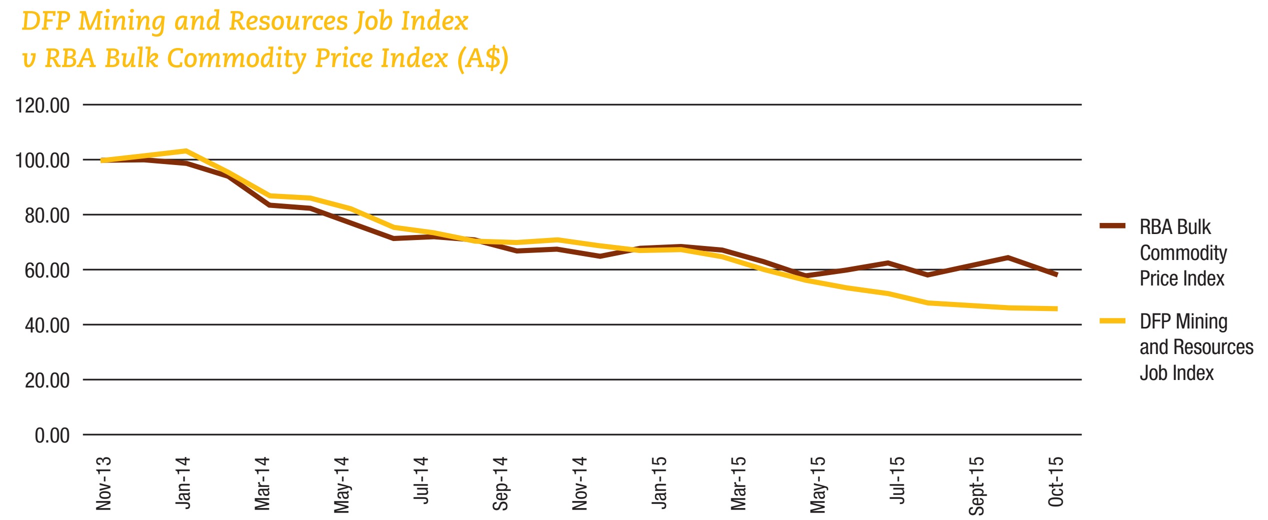

Chart 2: Comparison between the National Index and the RBA Commodity Price Index

Whilst there has been volatility in the price of bulk commodities over the last 6 months, we note that the RBA's Bulk Commodity Price Index is at the same level reported in March. This steadying in prices has arguably influenced the recent stabilisation in the DFP Mining and Resources Job Index.

Deloitte Access Economics also noted the strong connection between declining commodity prices and the pipeline of future Australian business investment. The advisory firm reported that the value of projects currently under construction in Australia fell by A$6 billion in the September quarter to A$814.3 billion. The quarter on quarter decrease was owing to major liquefied natural gas projects beginning the move from construction to production.

On a positive note, Deloitte Access Economics reported the value of planned projects in the database increased by A$6.7 billion during the quarter.

State Analysis

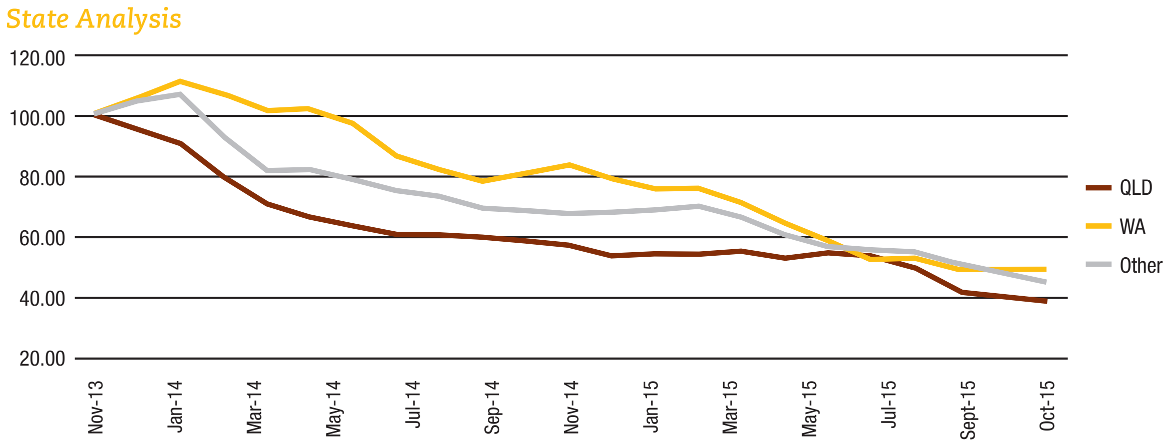

Chart 3: Comparison of State Job Indices against the National Norm

The improvement in employment prospects has been felt most positively in Western Australia. The WA index has risen 1.7% in the month and 4% in the quarter. It's still down a massive 39% over 12 months but this is a significant reversal of results.

Queensland, however, is yet to see any substantial improvement in demand. Vacancies fell 3.2% in October, 12.9% in the last quarter and 29.2% over the last 6 months.

Unfortunately, we are likely to see vacancies in Queensland decrease on the back of further redundancies reported in October. Glencore announced 535 jobs would be cut at its Zinc mines in Qld and NT. The reason stated for this reduction was to preserve the value of Zinc reserve in the ground at a time of low zinc and lead prices.

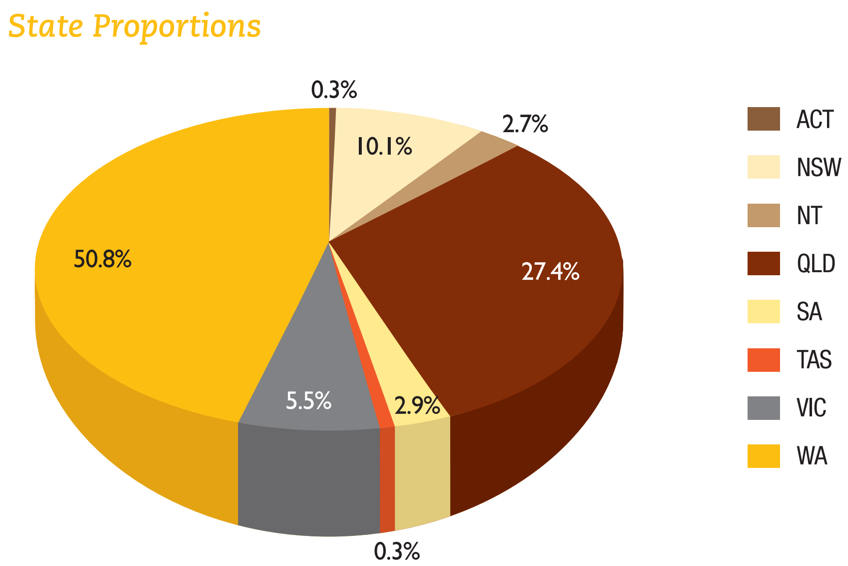

Chart 4: Analysis of Job Advertisements by State and Territory

The graph shown left provides a breakdown of the proportions of each state and territory.

The stabilisation in the WA market is helping grow its overall market share, which rose to 50.8% in October. By way of contrast, Queensland's share has slipped further, now at just 27.4%, its lowest percentage since January 2015.

Sub Sector Analysis

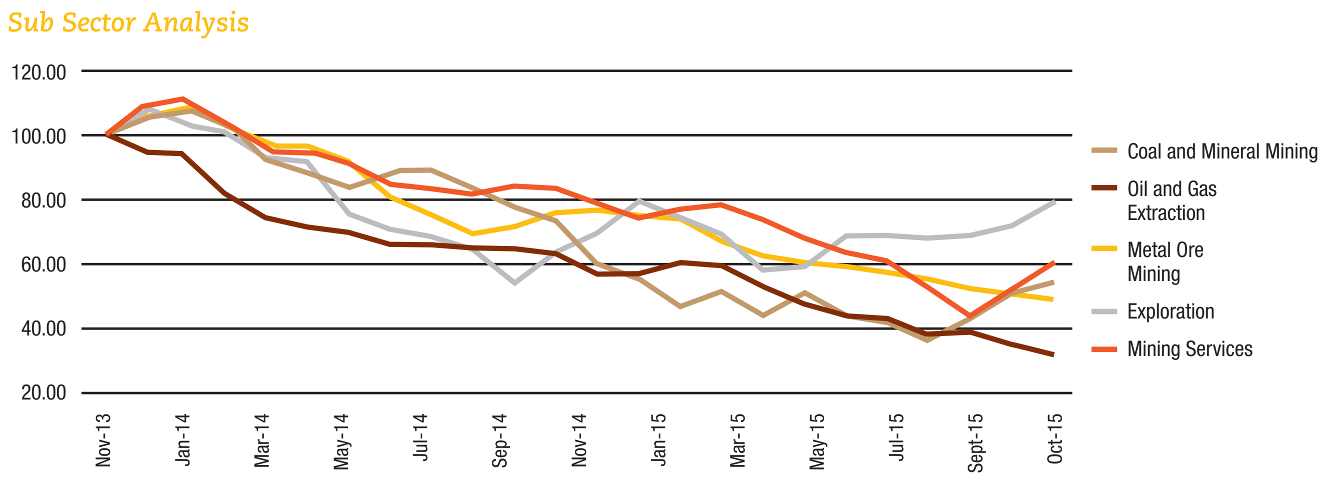

Chart 5: Analysis of Job Vacancies by Sub Sector

Mining Services enjoyed another strong month, recording a 13.9% increase. However these last 2 months of growth only reverses the substantial falls seen in June and July. Vacancies are still 11.9% lower in Mining Services than 6 months ago. It is hoped that the new Trans-Pacific Partnership will provide substantial new opportunities in the Asia Pacific region for our highly advanced suppliers, but these will take time to develop and longer to generate further local employment opportunity.

Coal and Mineral Mining also recorded another strong month, up 4.5%. The sector has experienced substantial decline in the last few years but there has been a very positive reversal of fortune of late. While volumes are down 26.3% since October 2014 vacancies have actually increased 4.5% in the last 6 months. Whilst we look for signs of confidence, Neil Hulme, Commodities Editor at ft.com reported that during October, Coal shipped from the Australian port of Newcastle with an energy content of 6,000 kcal/kg, was assessed at $54.88 a tonne by price reporting agency Argus. That is the lowest level since 2007 and a 9.6 per cent drop since the end of June. Coal is 70 per cent below its 2009 peak. He goes on to report many industry observers say the outlook remains challenging as demand slows from China, which has imposed import tariffs on seaborne coal in an effort to protect its domestic miners.

Metal Ore Extraction represents the largest sub sector. Conditions are still tough with vacancies down a further 3.2% in October and continuing to trend downwards.

Oil and Gas Extraction remains our weakest employment sector. It fell a further 8.9% in October. Overall vacancies have fallen 49.6% in 12 months leaving the index at an all time low of 31.64, well below that of all other sub sectors.

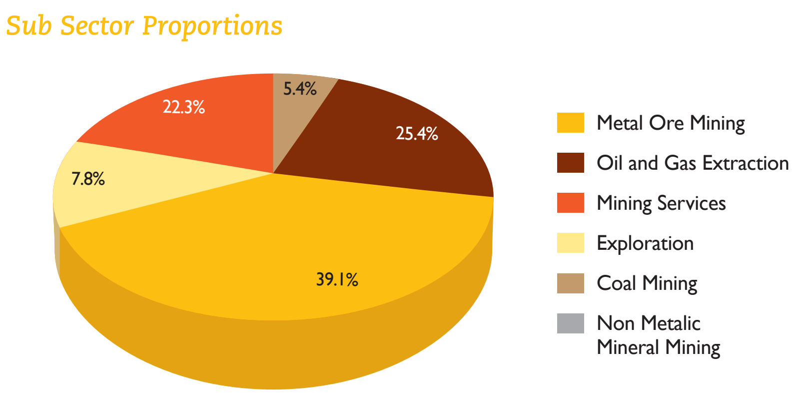

Chart 6: The Proportion of Job Vacancies by Sub Sector

This graph highlights the greatest challenge to the sector. While the smaller sectors comprising Coal Mining, Exploration and Mining Services are enjoying some improvement, it is the larger sub sectors of Oil and Gas Extraction and Metal Ore Mining that are still weak. Between them these two account for nearly two thirds of all employment opportunities in the sector. Neither are showing signs of improvement which is likely to continue to drag down the sector as a whole.

High Level Occupational Analysis

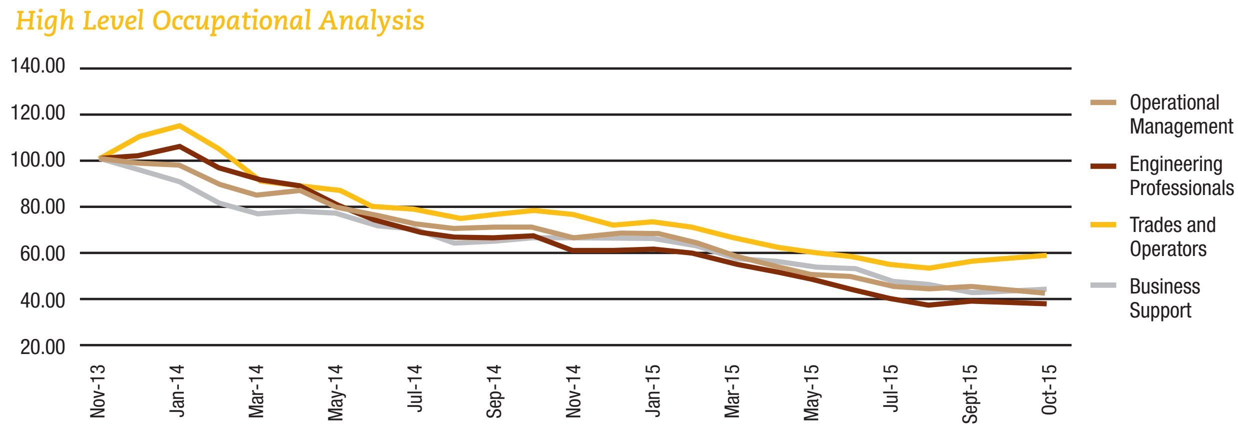

Chart 7: Analysis of Job Advertisements by Occupational Group

The rise in Engineering vacancies last month appears short lived with their index falling 3.2% in October. The index is now down to a new all time low of 37.61 which is 44.1% lower than a year ago. Conversely, Trades and Operators which enjoyed its first rise in September since January this year, rose a further 3.5% in October. Although it is still 27% below that recorded a year ago, the current upwards trend is more encouraging.

Operational Management and Business Support continue to trend down, which has to be expected. Any improvement in business outlook is likely to result in increases in production capability before it generates significant new management and business support job opportunities.

Operational Management

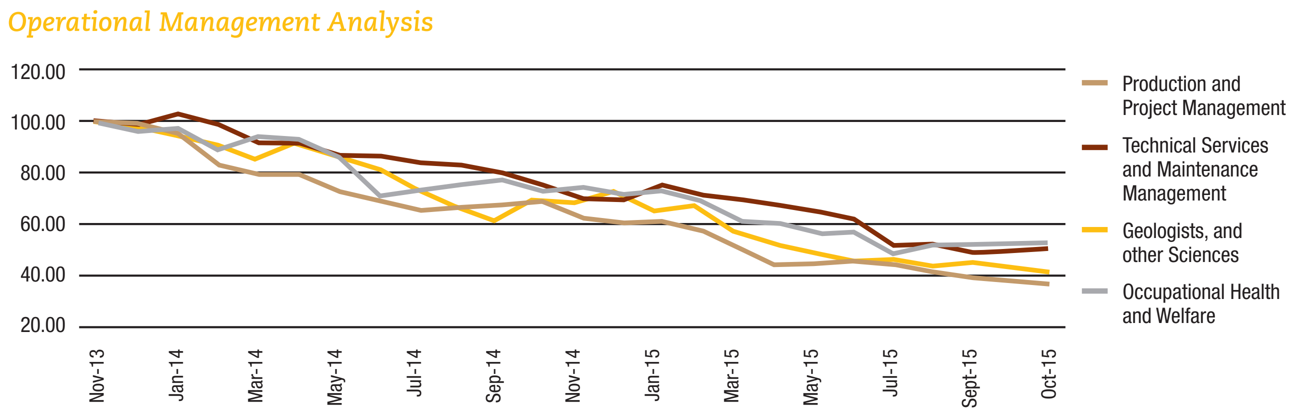

Chart 8: Analysis of Job Vacancies across Operational Management Occupations

The market remains weakest for Production and Project Management. It fell a further 5.2%. The fall contributed to a decline of 15.5% in the last quarter and 45.6% over the year. The index sits at a new low of 37.59.

Technical Service and Maintenance Management enjoyed a better month, rising 4.1%. The market has stabilised over the last quarter after substantial falls in the preceding 12 months. The index has now improved to be at 50.94.

Last months improvement for Geologists was short lived. Demand collapsed by 6.2% wiping out all of the September gain.

Job prospects continue to improve for OHS professionals. Vacancies were up 10.2% for the quarter, including a 1% rise in October. The market is still down 27.4% from this time last year, however recent improvements are encouraging.

Engineering Professionals

Engineering Professionals Analysis

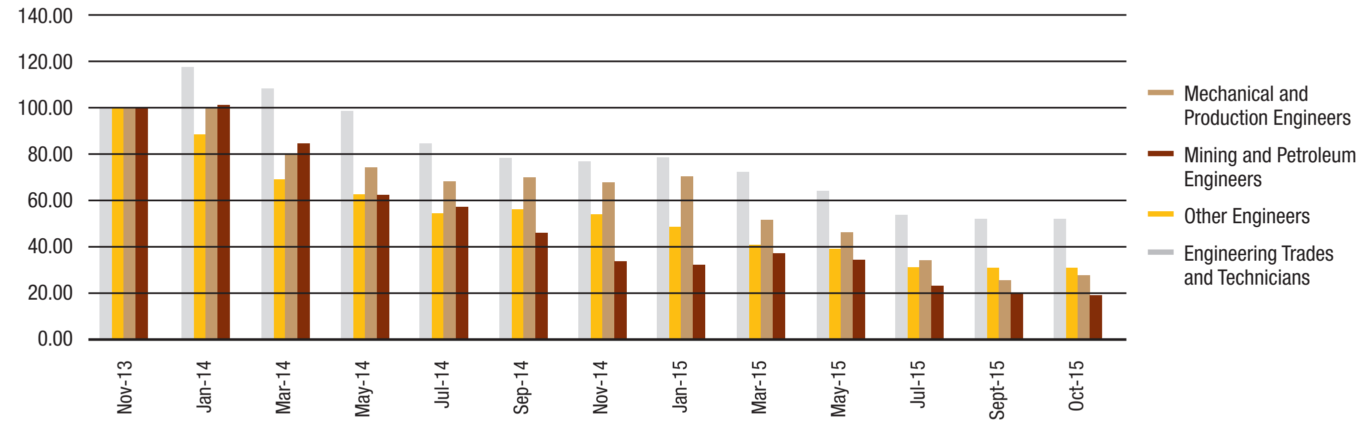

Chart 9: Analysis of Job Vacancies across Engineering Occupations

Prospects within the engineering space remain bleak. In October, only demand for Mechanical and Production Engineers rose by 5.2%, doing little to reverse a 61.6% decline over the past 12 months.

The situation for Mining and Petroleum Engineers is worse. Demand fell 10.6% in October, as vacancies have virtually halved (down 49.3%) in 6 months. Last month's small rise was short lived and unfortunately could not be repeated.

Even Engineering Trades, the stand out engineering category, experienced a 3.5% decline in October. It has performed relatively well over the last year and although falling 38.2%, its index sits at 50.54, the only engineering occupational category above the 50.00 threshold.

Trades and Operators

Trades and Operator Analysis

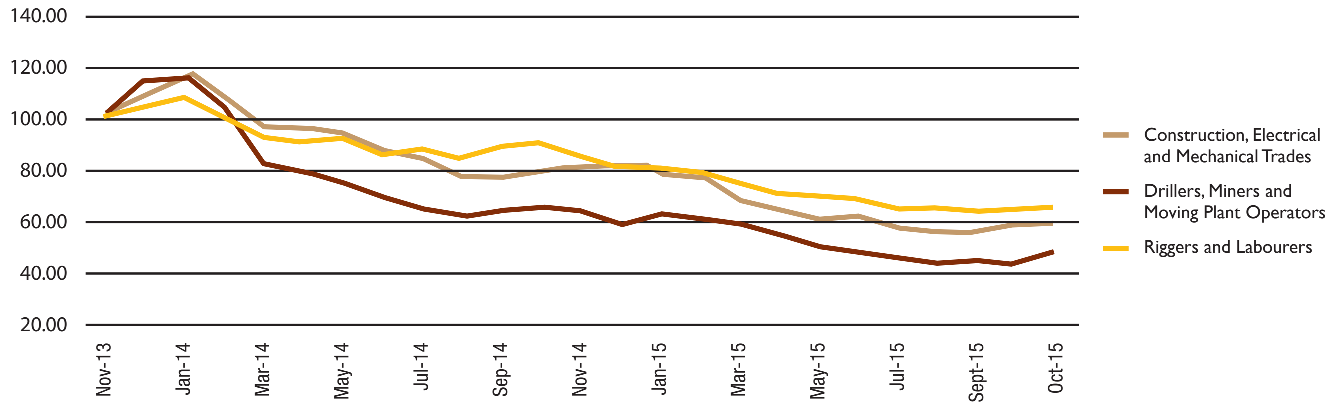

Chart 10: Analysis of Job Vacancies across Mining and Resources Trades and Operators

Once again Trades and Operators categories performed better than its industry counterparts. All three occupational categories were in positive territory in October. The best of these was Drillers, Miners and Moving Plant Operators that enjoyed a healthy 9.7% rise. This still leaves this group well behind the other two categories, however the margin has narrowed.

All three have also grown in the last quarter. The recent positive trend is yet to really cut into the falls experienced earlier in the year, but with some stability in bulk commodity prices in the last 6 months, prospects are better than they have been for some time.