Oil, Gas and Mining People

SEPTEMBER 2016

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 September 2016.

The Mining and Resources employment sector experienced another rise of 3.7% with the DFP Mining and Resources Job Index increasing to 55.01 in September. This is the third succussive rise, increasing job opportunities 10% for the quarter. The Temporary and Contract market is leading the way, rising another 7% bringing it to an increase of 21.5% in the last quarter.

Both Queensland and Western Australia experienced a rise in vacancies with the former enjoying a considerable 8.2% job growth for the month. Advertising volumes in Queensland are now up 16.9% over the last 6 months. Coal Mining was the biggest mover in September with its third consecutive and largest rise. Whilst opportunities for Operational Management and Engineering are still subdued, vacancies for frontline Trades and Operators continue to increase.

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

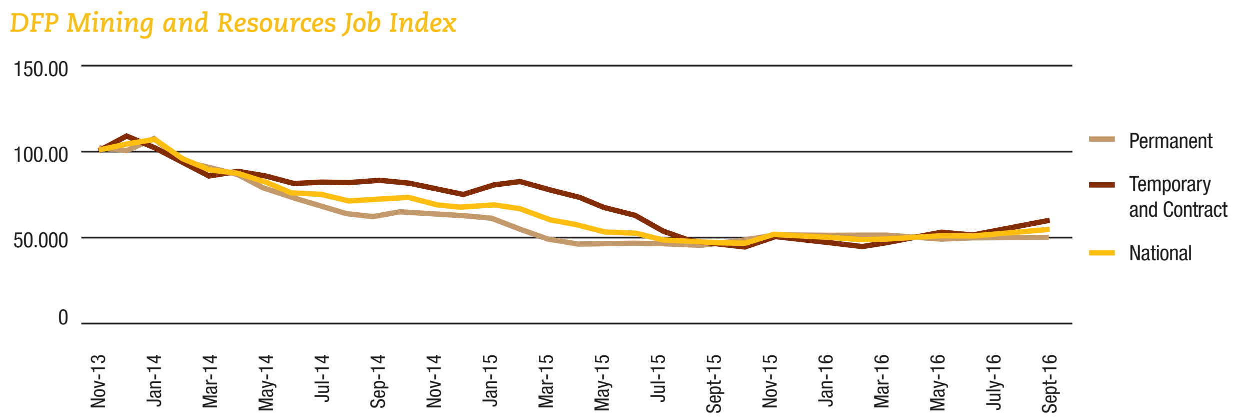

Chart 1: National Index and Job Type Analysis

DFP are able to report further improvement in the Mining and Resources sector with the DFP Mining and Resources Job Index rising 3.7% from 53.05 to 55.01 in September. This third consecutive monthly rise means that job opportunities have risen 10% in the quarter and the national job index is now at its highest level since April 2015. Vacancies have also risen by 19.6% since September last year when the index was at its all time low. The trend is certainly indicating that a recovery is underway, albeit from a very low base.

THINKING PEOPLE

National Job Index *(continued)*

The Temporary and Contract market is clearly the main driver of the recovery. Vacancies rose 7% in September on top of the 7.6% growth seen in August. The result is a 21.5% increase in the last quarter and a substantial 34.6% over 12 months. The relative strength of the Temporary and Contract market over permanent hires reflects employers moving to a contingent workforce.

The Permanent market is also growing, although not at the same pace. It only grew by just 1.1% in September after rises of 0.5% in August and 0.3% in July. Demand is really only back to where it was at the beginning of the year, however it is up 9.4% on this time last year. The absolute low was seen in Q3 of 2015, so the medium term trend is definitely positive and encouraging for job seekers.

DFP Mining and Resources Job Index v RBA Bulk Commodity Price Index (A$)

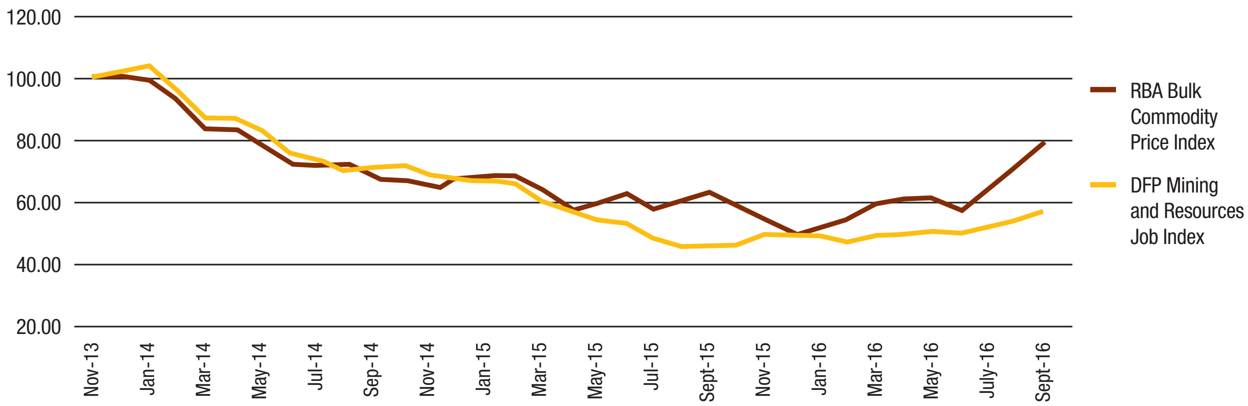

Chart 2: Comparison between the National Index and the RBA Commodity Price Index

The RBA's measure of bulk (non rural) commodity prices skyrocketed in September. It rose from 103.7 to 120.2, a 15.7% rise in one month (the RBA numbers are recalibrated to our November base period). It also rose 8.6% in August and 9.2% in July. Whilst we have reported a very encouraging rise in our job index, the lift remains lower than the rise in prices. This bodes well for job seekers as there is good potential for further increases in hiring in the coming months.

The composition of the RBA's index and OPEC reduction in suppy are two important issues worth noting. The former is the weighted average of a number of commodities including iron ore, coal, oil and gas and nickel. Coal prices have increased significantly since the Chinese government announced regulations including a reduction in work hours, making the sector for local producers more profitable. This represents a good proportion of September's rise as the price of coking coal increased by 85% in the last month.

The latter, which is the recently announced reduction in supply by OPEC, has lead to the resultant rise in oil prices which is yet to work in to the RBA's Index. Overall there is more upward pressure on prices than down side risk. This should also be positive towards increasing hiring intentions going forward.

State Analysis

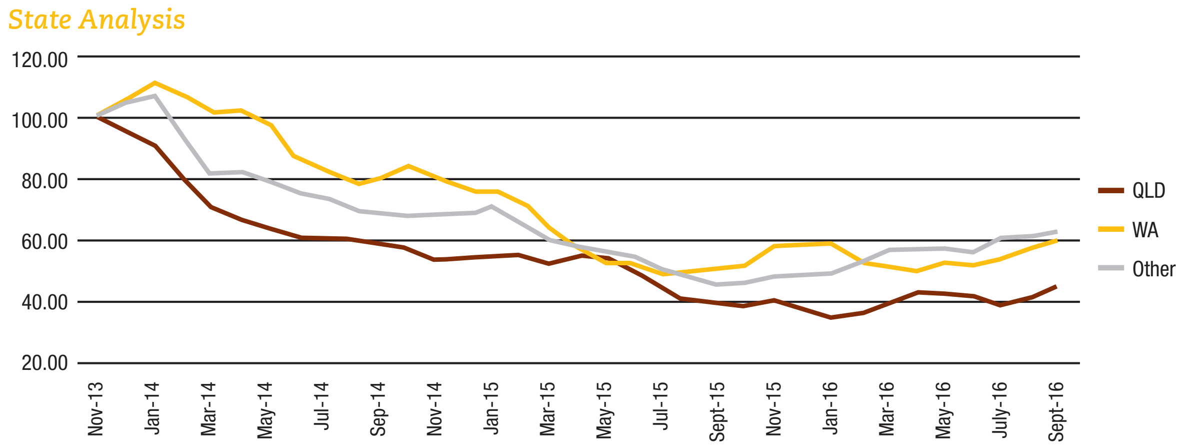

Chart 3: Comparison of State Job Indices against the National Norm

Queensland enjoyed considerable jobs growth in September with the index growing 8.2% from 41.90 to 45.32. Advertising volumes are up 16.9% over the last 6 months. The market was at an all time low in the first quarter of 2016 and it has steadily improved. The recent dramatic rise in coal prices will only act as a further stimulus for job creation and will particularly help coal development in the Galilee Basin.

Western Australia also improved in September with job opportunities in the state rising a further 2.2%, taking the index to 59.00. This is slightly above the level seen in January and February of this year, making it the strongest month since March 2015. It also sits 17.4% higher than September last year. Whilst neither the level nor rates of growth are high by historical standards, these improvements will give job seekers cause for optimism.

The graph below provides a breakdown of the proportions of each state and territory:

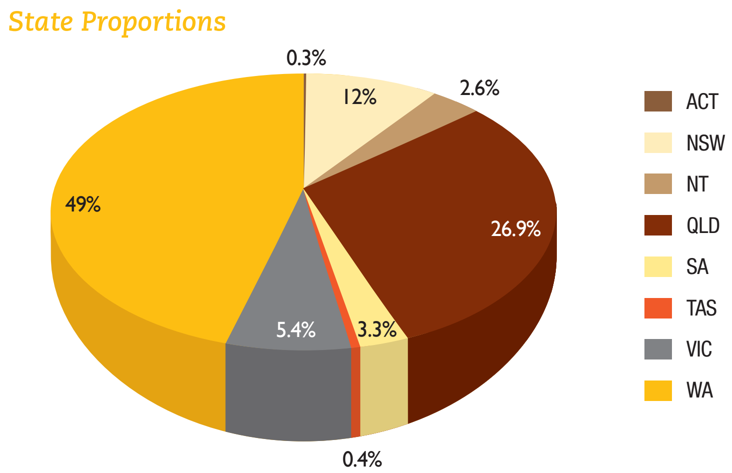

Chart 4: Analysis of Job Advertisements by State and Territory

Queensland's strong lift in demand has translated to an increase in market share. In September, it reached 26.9% after starting the year on 23.6%. As the Australian Bureau of Statistics recently indicated, Western Australia attracted approximately 66% of the nation's total mining investment in 2015/16, which is reflected in its dominant share of advertised job vacancies.

Sub Sector Analysis

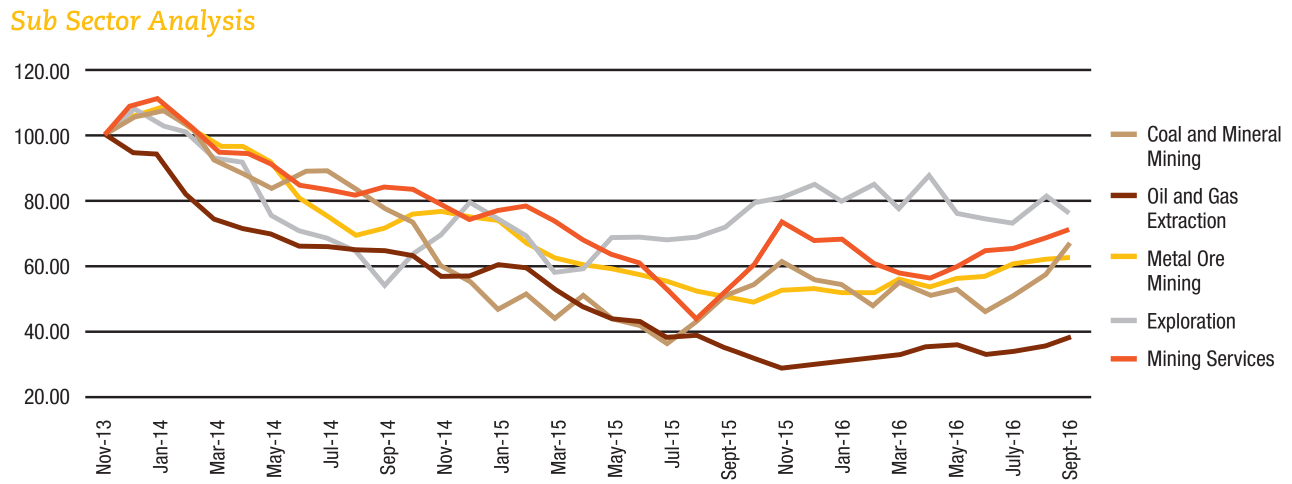

Chart 5: Analysis of Job Vacancies by Sub Sector

It comes as no surprise that the big mover in September was Coal Mining. Demand has risen by 16.9%, the third consecutive and largest rise. This is a direct consequence of the substantial rise in thermal and coking coal prices since the Chinese Government reduced supply. The Government's decision to reduce output will ensure that local coal producers will increase capacity, profitability and hiring confidence. It also encourages those in exploration and development to take a more bullish outlook.

Some positives have also been seen in the Oil and Gas sector. Demand rose 9% in September, providing its best monthly rise on record. While the index rose from a very low base of 34.36 to 37.43, this is the highest level of demand since August last year. We await a response from non OPEC producers Russia and the USA to see how they will react to OPEC's decision to reduce supply. The full impact of the announcement is yet to translate into job creation, however there are optimistic signs.

Metal Ore Mining continued its steady rise and has now grown by 11.5% in 6 months.

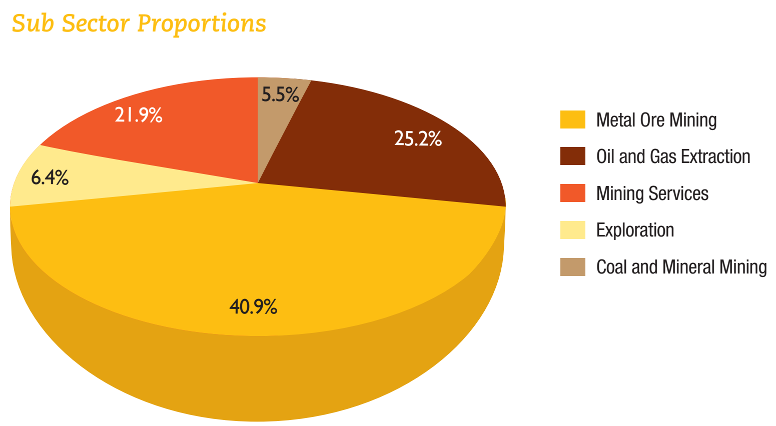

Chart 6: The Proportion of Job Vacancies by Sub Sector

While the improvement in the Coal Mining sector is very encouraging, it has to be put in perspective. It now represents just 5.5% of the national Mining and Resources job market. It has never exceeded 6%, therefore the number of jobs created will not be as large as that created by the Oil and Gas sector, which represents over one quarter of all Mining and Resources job opportunities in Australia.

High Level Occupational Analysis

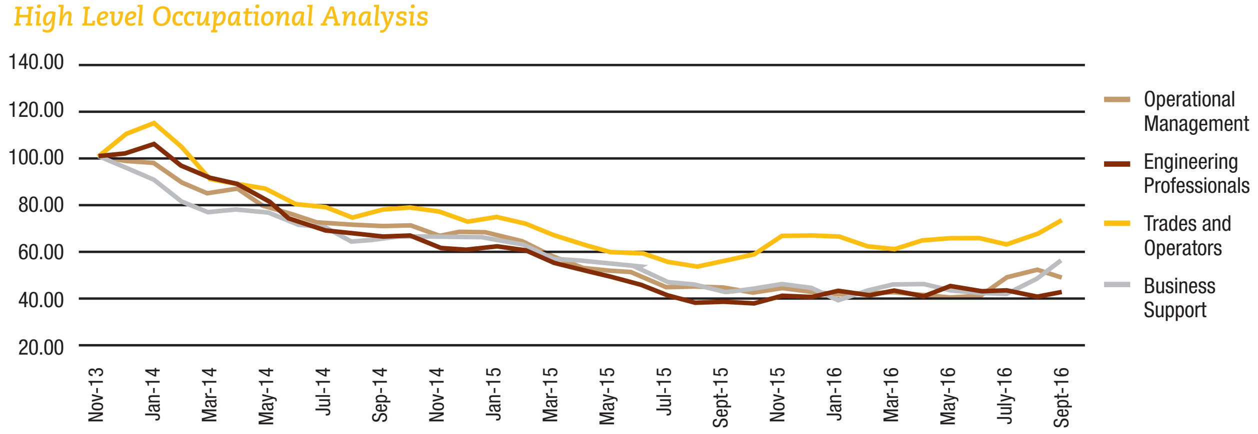

Chart 7: Analysis of Job Advertisements by Occupational Group

Front line Trades and Operators is an area where employers are currently putting on additional staff and it is up a further 4.7% in September. It has consistently been the strongest performer amongst all high level occupations and the index, at 71.39, remains well ahead of all others.

The significant increase in commodity prices has not yet translated into greater demand for operational management. After 3 months of growth, demand actually fell by 4.2% in September. If price rises are sustainable, we expect to see growth in this category.

Likewise, engineering professionals will be hoping for improvement in their space. September was a relatively good month, with job opportunities up 2.6%. However, the market has been very static and up just 7.3% over the last 12 months. Demand for engineers remains low with the index now sitting at 41.68.

Operational Management

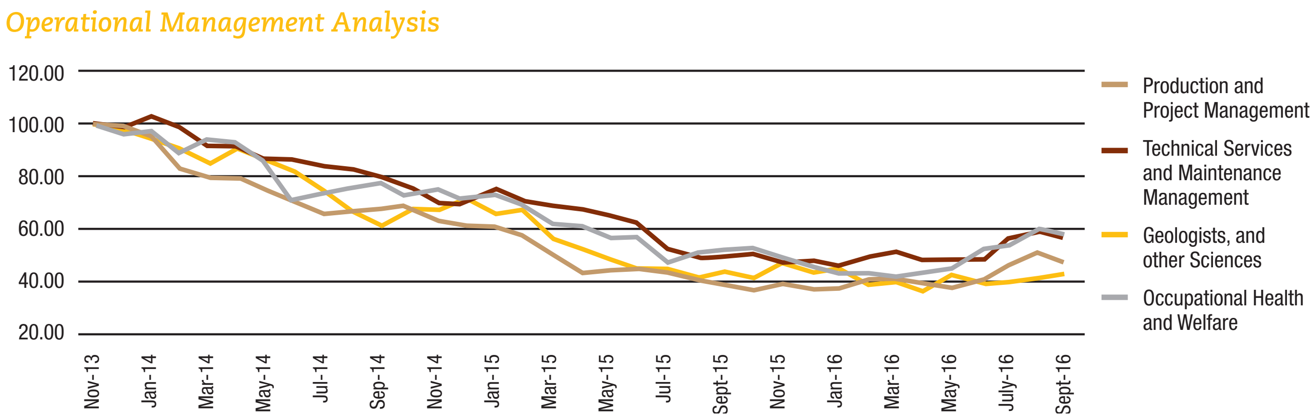

Chart 8: Analysis of Job Vacancies across Operational Management Occupations

The only Occupational Management category to grow in September was Geologists and Related Sciences. Its 4.1% rise is the first positive news on the job front for some months, after a subdued year which has seen vacancies fall 3.5% over 12 months, off an already low base.

The other 3 occupational sub categories fell – Production and Project Management by 5.7%, Technical Service and Maintenance by 5.5% and Occupational Health and Welfare by 4.5%.

Engineering Professionals

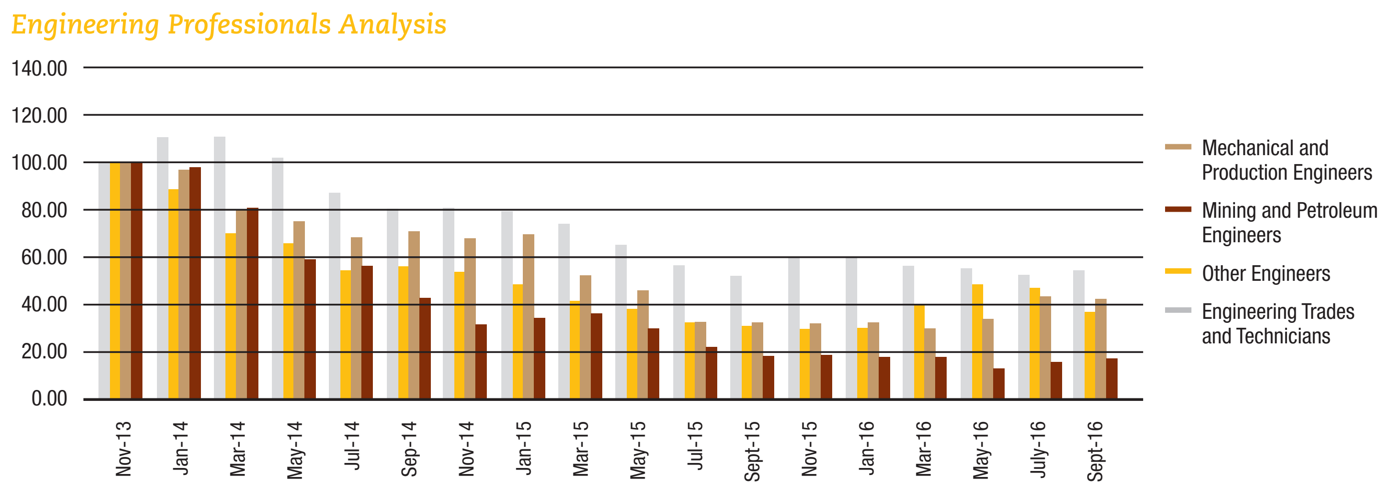

Chart 9: Analysis of Job Vacancies across Engineering Occupations

Engineering professionals in the mining and resources industry will no doubt be looking for improved career opportunities and remuneration as the sector improves. Mining and Petroleum Engineers continue to record the lowest result with the index at 15.82, following a further 1.1% fall in September.

Engineering Trades and Technicians was the only occupation to grow. It rose by 8.8% reversing what had been a weak trend for much of 2016.

Trades and Operators

Trades and Operator Analysis

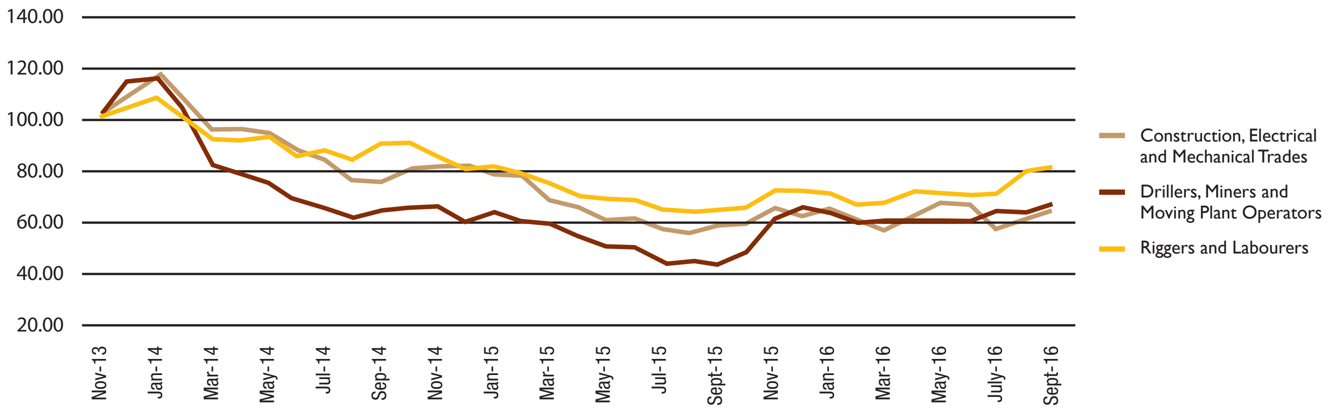

Chart 10: Analysis of Job Vacancies across Mining and Resources Trades and Operators

In September, all Trades and Operator categories grew. This may be a reflection of employers focussing on relatively lower paid less skilled workers ahead of management. The most notable rise was job vacancies for Drillers, Miners and Moving Plant Operators. The index for these roles has been very flat throughout 2016, so a rise of 6.5% is encouraging.

Riggers and Labourers have also fared well in recent months. Demand may only have risen by 2.5% in September, however this follows a series of good numbers that have seen their index, now on 82.02, rise 16.1% in the last quarter.