Oil, Gas and Mining People

NOVEMBER 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 November 2016.

The Mining and Resources employment sector experienced its fifth consecutive vacancy rise, improving by 1.5% to 60.42. Job opportunities have now risen a significant 19.6% in the last 6 months. Permanent vacancy growth stood out again, rising 2.4% to 57.43, while Temporary and Contract roles managed a small increase of 0.4%. Both the Queensland and Western Australia markets growth slowed this month, each rising a modest 0.6%. While Coal & Mineral Mining and Oil & Gas, both grew 10.7% and 6.1% respectively, Metal Ore Mining was more subdued, decreasing 3.8%. Engineering Professionals continues to show signs of a resurgence with another rise of 3.7%.

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

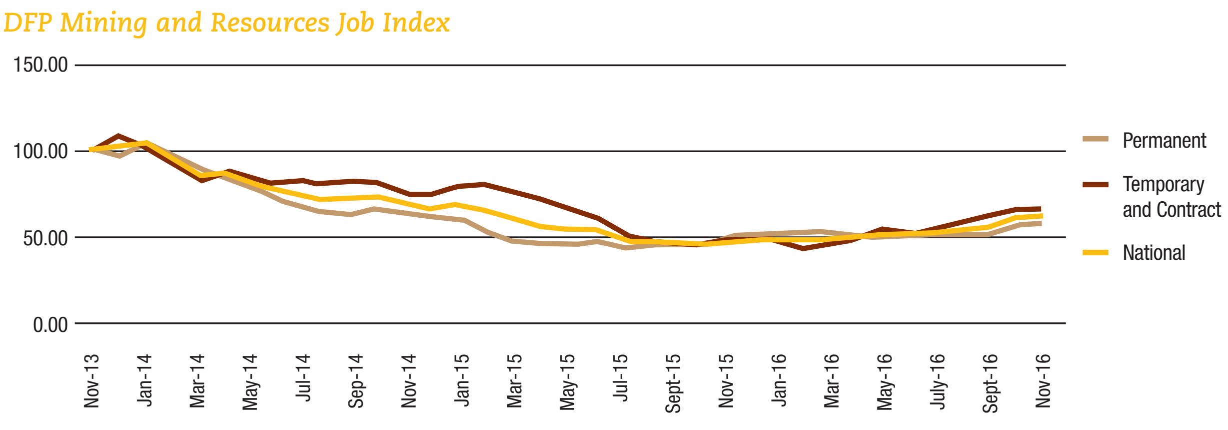

Chart 1: National Index and Job Type Analysis

November saw further improvements in job prospects in the sector with the DFP Mining and Resources Job Index rising 1.5% from 59.61 to 60.42. This is the fifth consecutive monthly rise but given recent trends and further improvement in commodities prices, this month's rise is on the low side. Job opportunities have still risen 13.9% in the quarter and a significant 19.6% in the last 6 months.

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National Job Index *(continued)*

Once again, growth in permanent vacancies stood out. The index rose another 2.4% in November from 56.13 to 57.43. Permanent job opportunities are now up a very healthy 14.5% over the last 3 months. It demonstrates that Mining and Resource employers are showing confidence in this early stage of the recovery phase.

The Temporary and Contract market was the first category to pick up earlier in the year when the initial signs of commodity price stabilisation were seen. Since then, prices have increased far more substantially. Demand for Temporary and Contract staff has risen by 23.9% over the last 6 months but only managed a 0.4% rise in November. This can be attributed to the increase in permanent openings and possibly an element of the seasonal factors coming in to play.

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

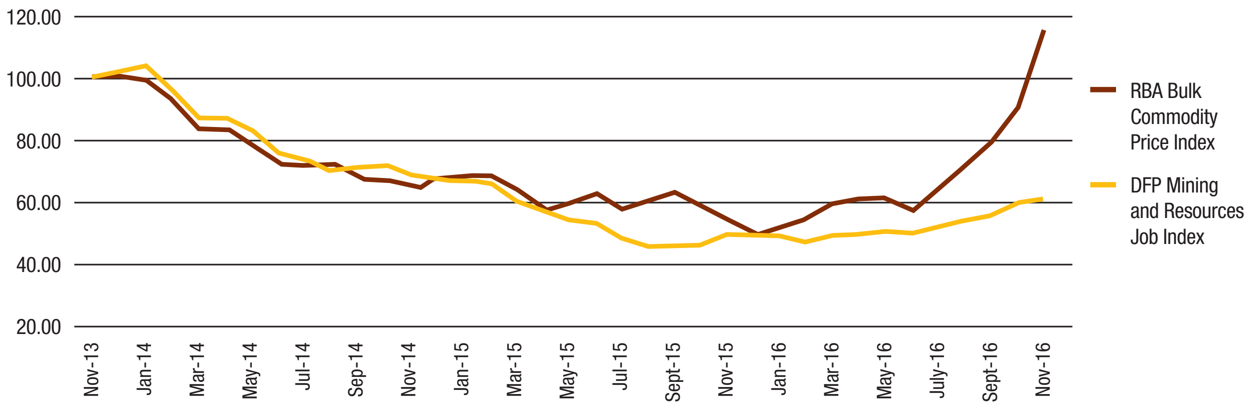

Chart 2: Comparison between the National Index and the RBA Commodity Price Index

The RBA's measure of bulk (non rural) commodity prices rose sharply in November. Further improvements in iron ore and in thermal and coking coal prices were joined by a late flourish in oil prices on the back of OPEC's agreement to cut global production by 4.5%. The RBA benchmark rose a staggering 25.7% in November and has risen by 111.7% over 12 months.

Despite the reported growth in job vacancies over the last 5 months, these significant rises question why job creation has not been even greater. Commodity price is a lead indicator and hiring the lag indicator. On this basis, demand should therefore pick up substantially early next year.

The only provision seems to be the uncertainty whether current prices can be sustained. Uncertainty around China and how non OPEC oil producers respond, no doubt can be a factor holding back further hiring. While prices may be heading towards the level seen during the boom period, we cannot expect employment to return to those levels as many of those roles were generated by one off investment. However, even if prices stay where they are now, there is still plenty of scope for demand for staff in Australia to pick up.

State Analysis

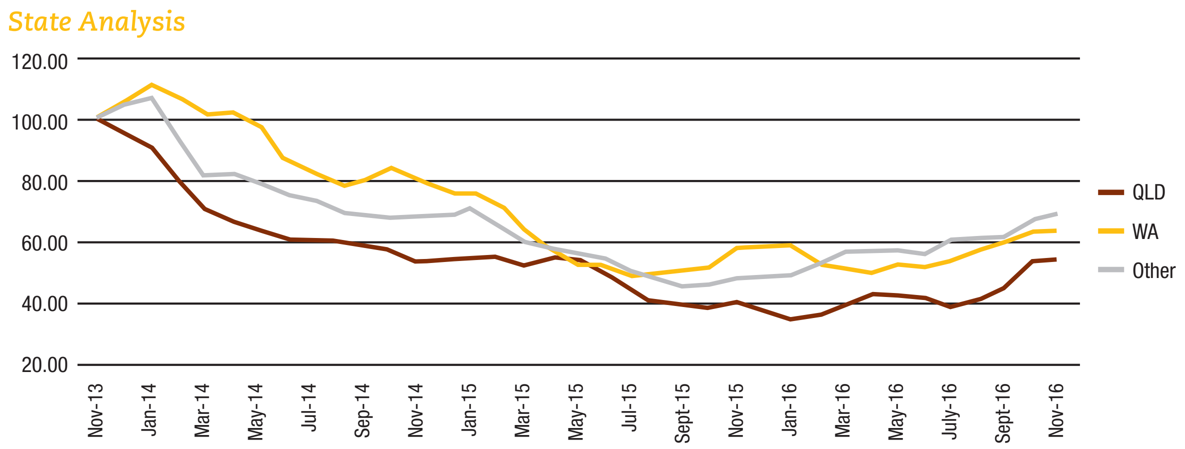

Chart 3: Comparison of State Job Indices against the National Norm

The substantial rises seen in Queensland in previous months slowed in November. It did achieve its fourth successive increase but managed just a 0.6% rise this month taking the index from 51.75 to 52.08. Some of this softening may be seasonal, however, job vacancies are still up 24.3% in the quarter.

Western Australia also managed just a 0.6% rise in November with the index rising from 62.22 to 62.57. This was its fifth successive rise and undoubtedly its best run since the end of the boom. Despite this weaker finish to the year, WA has still managed to increase vacancy levels by 8.4% in 3 months and 18% over 6 months. The WA sector, with its broader mix of products, has good potential for further improvements after the holiday season.

Interestingly, it was the other states, with NSW in particular, showing the best growth in November. Outside of WA and Queensland, the other states combined to achieve a rise of 4.2%. Coal producers nationally are enjoying the benefits of substantially improving prices. While WA and Queensland get much of the focus, the minor producers such as NSW, South Australia and, on a much smaller scale, Tasmania are enjoying good growth.

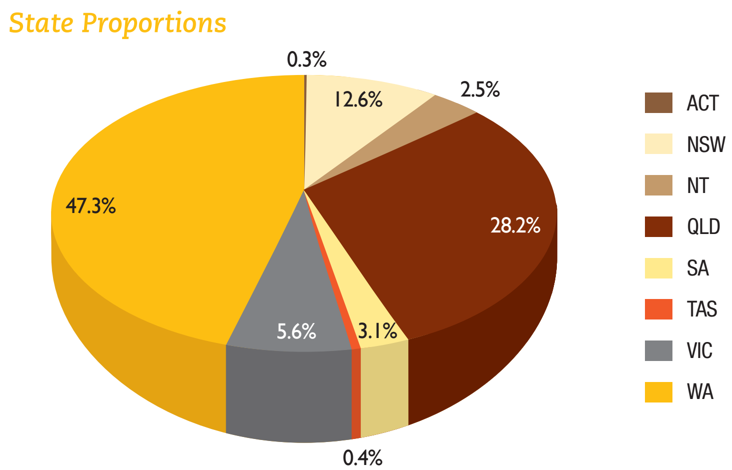

Chart 4: Analysis of Job Advertisements by State and Territory

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

The smaller mining and resources producing states combine to account for 24.5% of the national tally of job advertisements. Although that combined total is still less than Queensland on its own, the increase in NSW now has it contributing 12.6% of job vacancies which is its highest share since our records began in 2013.

Sub Sector Analysis

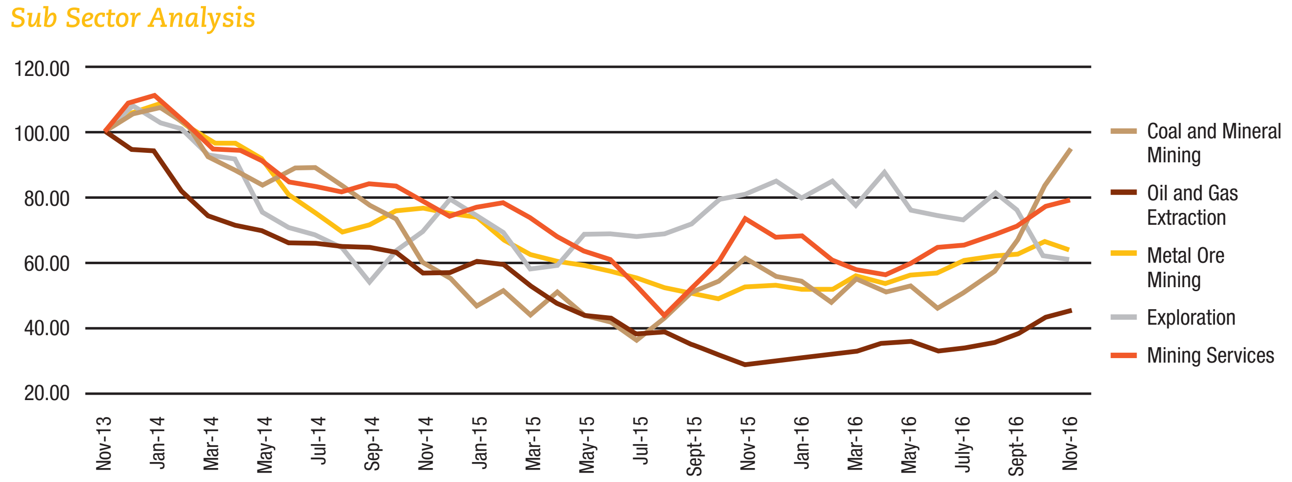

Chart 5: Analysis of Job Vacancies by Sub Sector

With the price of coal soaring to new highs not seen since early 2013, it is not surprising that demand for staff in the Coal and Mineral Mining sector grew a further 10.7% in November. This is the fifth successive rise following the huge 24.8% rise in October. The index rose from 82.29 to 91.12, its highest level since March 2014 as demand has risen by 70.6% in the last 6 months. As the price of coal has risen by a similar magnitude, coal mining companies are clearly raising production and therefore employment activity lifts.

New job opportunities advertised by Oil and Gas producers also rose substantially in November. Hiring activities rose 6.1% in the month. As the OPEC production agreement was only announced in the last few days of the month, the impact of that positive development is yet to be seen. It has been very challenging for job seekers in this sector; therefore, the 30.1% rise in the last 3 months and 50.9% rise year on year will provide some positive encouragement going into the new year.

Metal Ore Mining was far more subdued this month. Demand actually fell by 3.8% in November, its first fall since April. This does run contrary to the general trend amongst Mining and Resource employers, however, iron ore prices have not risen to the same extent. Demand has been growing steadily through much of 2016 (12.1% over the past 6 months and by 18.6% over the last 12 months) providing a vast improvement on the last 2 years of decline.

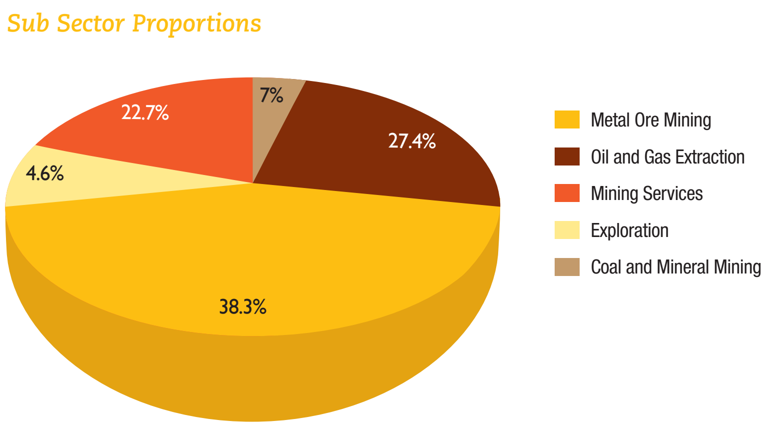

Chart 6: The Proportion of Job Vacancies by Sub Sector

Demand in Mining Services rose by 3.3% in November and by 18.4% in the last quarter. Service suppliers are likely to lag the producers themselves but some are clearly gearing up as the market improves.

Despite the massive improvement in demand in the Coal and Minerals sector, it still is dwarfed by the other sectors. Put in perspective, it holds just 7% of the overall national market with Metal Ore Mining continuing to lead the way with a share of over 38%.

High Level Occupational Analysis

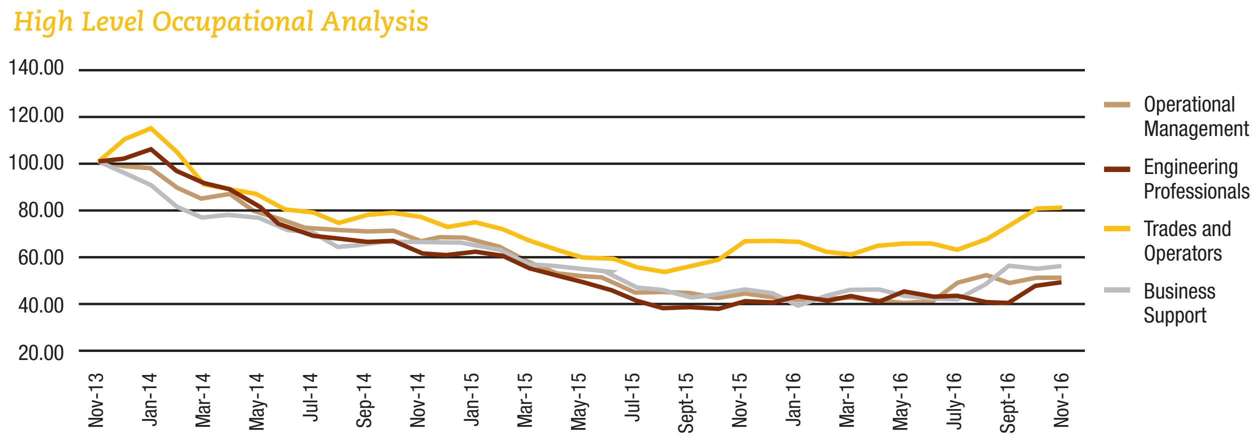

Chart 7: Analysis of Job Advertisements by Occupational Group

For a second month, Engineering Professionals have led the upswing in demand with jobs rising 3.7%. Whilst not nearly as strong as October's remarkable 14.6% rise, demand is holding firm at levels not seen since early 2015. The index now sits at 49.53, which is still half the vacancies that were available in late 2013, but an encouraging 21% higher than a year ago.

Operational Management has not enjoyed nearly as much recent success. It managed just 0.4% growth, yielding a 1.2% decline over the last quarter. Fortunately, as demand was very strong in the previous quarter, the index at 51.98 is still 23% higher than 6 months ago. The recent weakness in Operational Management hiring could possibly be due to employers building their teams utilising current operational management capacity prior to re-entering the higher end of the staffing market.

Trades and Operators had an uncharacteristic month with demand rising just 0.2% in November. The index inched up to 80.32, still clearly the strongest performing higher level occupation. While only a small rise, it is the fourth successive increase accounting for a 17.8% boost in job opportunities in the last quarter.

Operational Management

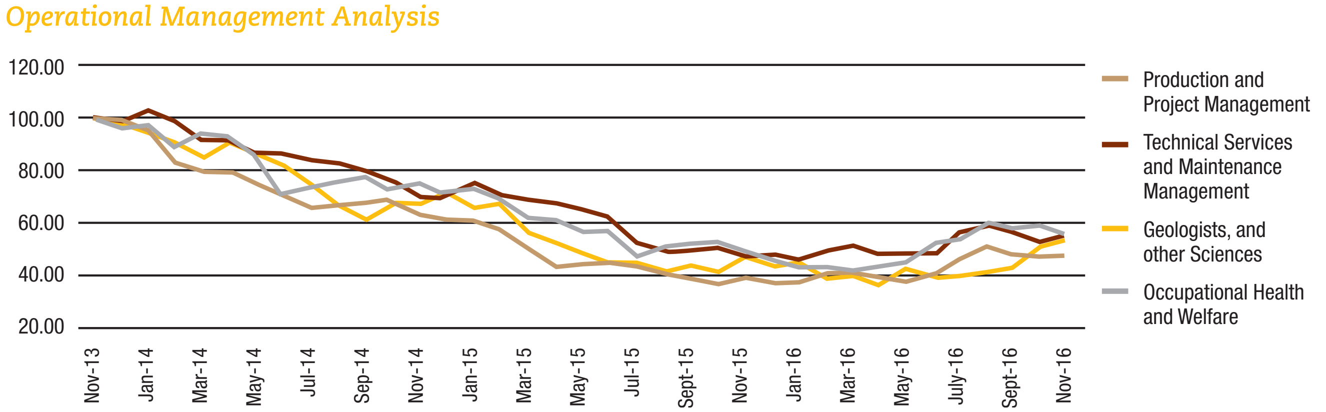

Chart 8: Analysis of Job Vacancies across Operational Management Occupations

While there may have been minimal growth overall across the Operational Management category, it is not all doom and gloom for all occupational categories. Demand for Geologists and Related Sciences grew by a further 5.2% following last month's sensational 21.1% rise in job opportunities. Demand for Geologists and Geophysicists is the strongest it has been since March 2015, and the index now sits at 54.63 driven by its fifth rise in succession.

Technical Service and Maintenance Management are also benefiting from increased production levels with demand up 5.2%. This is a welcome turnaround after 2 weak months. Demand is still down 5.2% for the quarter but a few strong months earlier in the year means that vacancies are 15.8% higher than a year ago. Again an index of 54.47 infers plenty of capacity for further growth if current commodity prices become the norm in the medium term.

Engineering Professionals

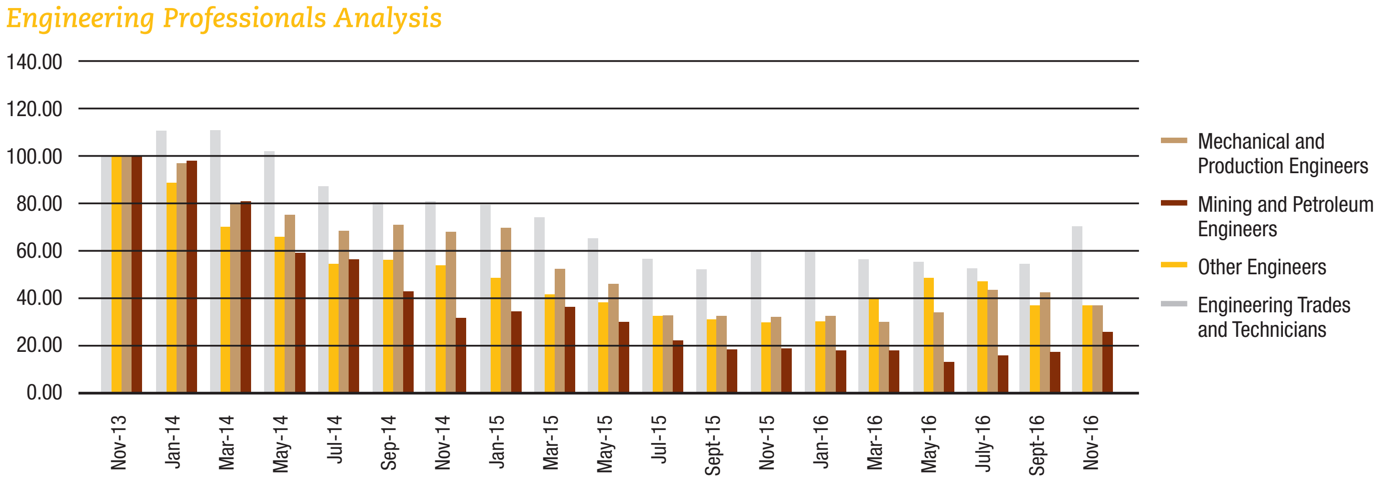

Chart 9: Analysis of Job Vacancies across Engineering Occupations

After rises across the board in October, November's results were mixed depending on the engineering discipline. Red ink was seen amongst Mechanical and Production Engineering where demand fell 11.2%. Clearly, demand for their services was greater during the investment cycle and it may take a stronger market to see demand rebound.

However, it was another great month for Mining and Petroleum Engineers who saw demand rise a very healthy 16.4% after a massive 28.2% rise in October. Once again, we point out that this only took the index from 20.28 to 23.61, still less than a quarter of the advertising levels seen in late 2013. Although the increases are coming off an extremely low base, given how tough the market has been since the slow down, any improvement is welcome.

Engineering Trades and Technicians is still the highest performing category. Demand rose another 5.9% on top of the 21% rise in October. The index is now at 66.97, well above those seen for all other engineering professionals.

Trades and Operators

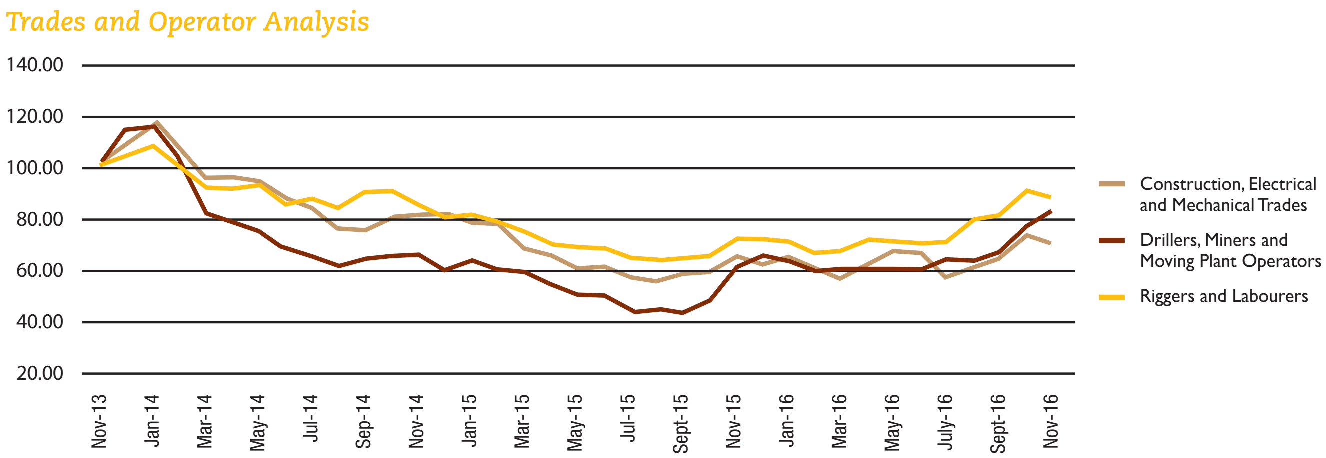

Chart 10: Analysis of Job Vacancies across Mining and Resources Trades and Operators

After 3 exceptionally strong months of growth, November was mixed for Trades and Operators. Drillers and Miners and Moving Plant Operators continued their growth trajectory as demand rose a further 5.8% in November. The 6 months of growth has left demand a very robust 35.2% higher than May of this year.

The other categories fell in November. Demand for Construction, Electrical and Mechanical Trades fell 2.3% after several good months of growth. As a fair proportion of these roles would have peaked in the investment phase of the mining boom in Australia, we cannot expect demand to reach those heights again for some time.

Riggers and Labourers had a surprisingly weak month. Demand slipped 3.3% to 86.20. Given the strength in the market in the second half of the year, demand is still up 22% over the last 6 months. The fall this month is arguably a softening as we approach the quieter Christmas and New Year holiday season.