Oil, Gas and Mining People

DECEMBER 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 December 2016.

The Mining and Resources employment sector experienced a 1.6% fall in the final month of 2016, however year on year the results have largely been in positive territory. Job opportunities have increased 20.5% in 2016, with Permanent vacancies up 14.7% and Temporary and Contract roles up 29%. Queensland led the way with a 33.9% increase over the year as Western Australia achieved a more modest 7.6% rise in vacancies. Metal Ore Mining continues to lead the market share in the sector, however Coal has had the most spectacular growth with vacancies increasing by 61.7% in 2016. The broader trend indicates plenty of scope for further improvement in employment opportunities in the Mining and Resources sector in 2017.

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

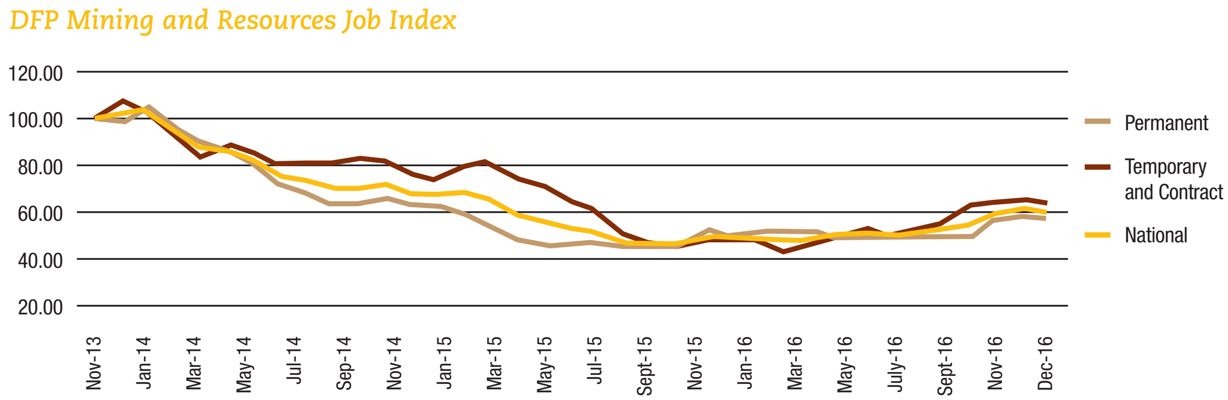

Chart 1: National Index and Job Type Analysis

December saw a slight contraction in job opportunities in the sector with the DFP Mining and Resources Job Index falling 1.6% from 60.42 to 59.44. This brought to an end 5 consecutive monthly rises but this fall can be attributed to the normal seasonal softening at this time of year rather than anything more profound. Demand has risen an encouraging 20.5% in the last 12 months so there is still plenty of positive momentum as we go into the new year.

THINKING PEOPLE

National Job Index *(continued)*

Permanent vacancies held up stronger but still retreated 0.8% in December. This too reversed seven months of steady growth that has seen permanent job vacancies rise 14.4% in six months. The percentages in growth are a bit deceptive as they are calculated from a low base. Nevertheless the market has definitely been clawing its way back up from the all time low seen in late 2015. What is yet to be seen is to what extent demand can rebuild without the investment element that generated so many jobs in the previous boom. Those levels are unlikely to be repeated in 2017 but there should be scope for further improvement.

The Temporary and Contract market ended on a subdued note dropping 2.7% in December. But the underlying trend is still positive. Temp and contract job opportunities are 29.0% higher year on year. Demand is a little off the high reached last month but still at a level not seen since mid 2015. Job seekers may expect a slow start to the year as normal but we hope to see demand pick up later in the first quarter.

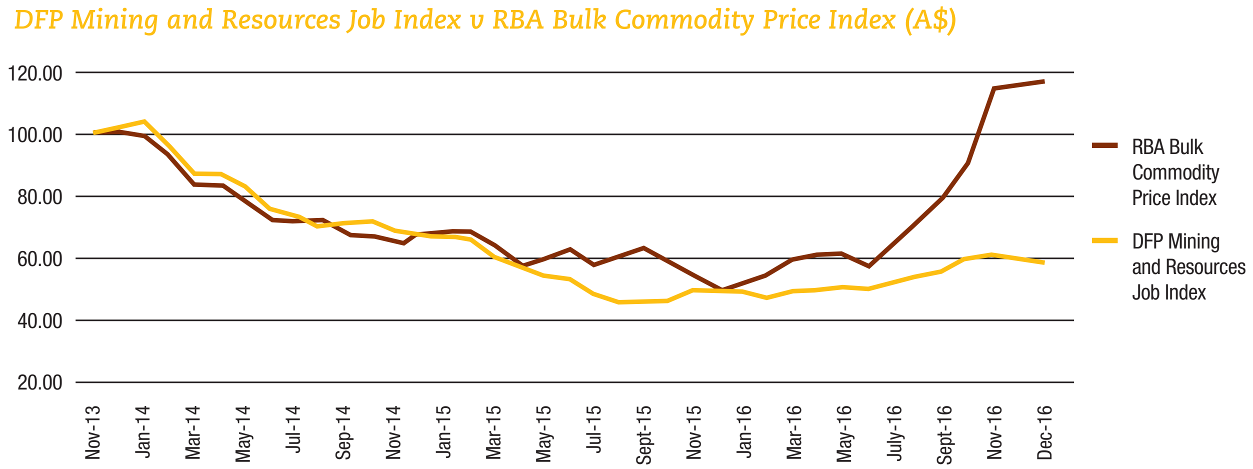

Chart 2: Comparison between the National Index and the RBA Commodity Price Index

Our confidence in the market direction for 2017 is based on the potential for demand for staff to rise so long as commodity prices can be maintained. After 6 months of substantial growth, the RBA's measure of bulk (non rural) commodity prices barely moved in December, rising just 0.7%. Economists have pointed out that the pickup in prices really began in early 2016 and have continued to broaden and strengthen since then. The RBA's Index is up 99.1% over 12 months but demand for staff has risen just 20.5%.

Prices at this level mean employers are more profitable and production likely to increase. This will lead to greater business confidence in the sector and additional hiring inevitable. The major proviso here is that should employers see commodity prices fall they may hold back on job creation.

State Analysis

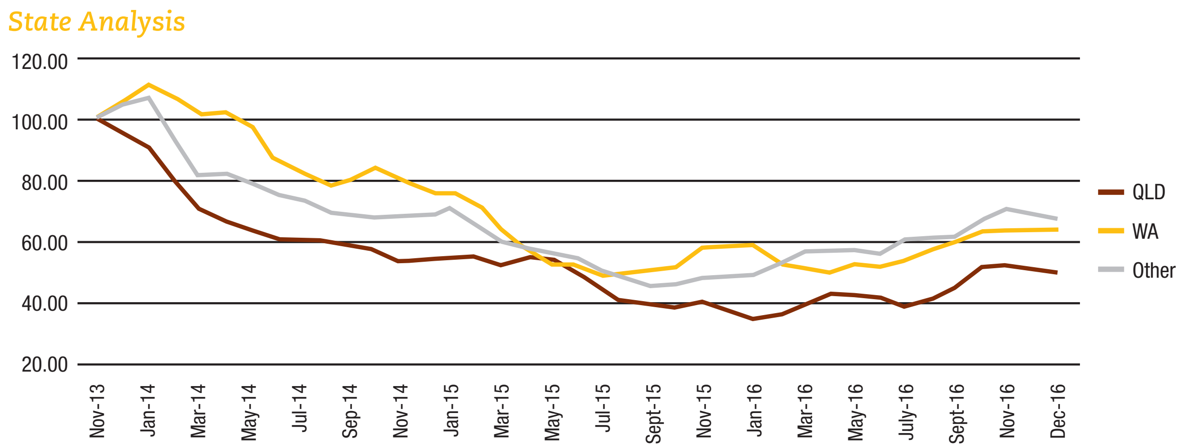

Chart 3: Comparison of State Job Indices against the National Norm

December saw demand in Queensland retreat by 4.0%. It has enjoyed strong growth in job opportunities throughout 2016 and particularly in Q3. However by November, the rise was just 0.6%. We have seen growth of 33.9% year on year and 18.5% in the last 6 months, so this recent softening may only be seasonal. The Queensland Governments sign off for the opening up of the rail link to the Galilee Basin and Adani's commitment to local job creation (up to 5,000 new jobs during the construction phase) should ensure that mining and resource jobs in Queensland continue to improve in 2017.

Western Australia however saw 0.4% growth in December. This may be marginal but is a healthy outcome in spite of any seasonal retreat. WA has not experienced the same level of growth as Queensland and has expanded at a more modest 7.6% in 2016. Queensland is more focused on coal mining however WA has a broader base and is therefore more likely to benefit from the recent rises in oil and gas prices. On a standalone basis, Roy Hill expects to recruit a further 500-600 workers as it increases production in 2017.

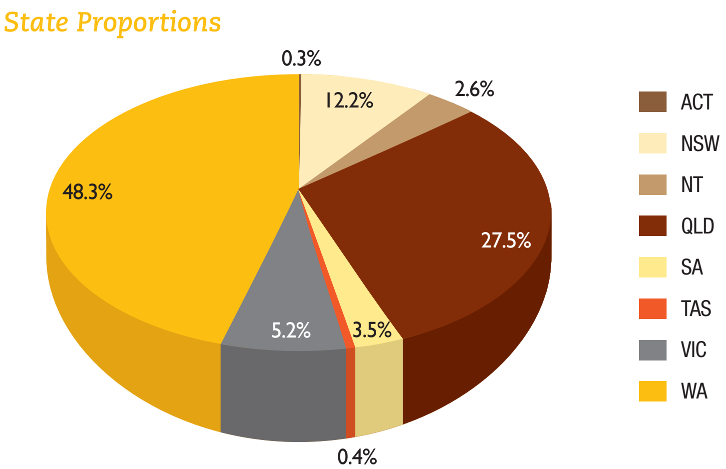

Chart 4: Analysis of Job Advertisements by State and Territory

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

The recent strength of Queensland over Western Australia is well demonstrated by their respective share of the national market. Queensland's share has risen from 24.7% in December 2015 to 27.5%, while WA has shed 5.8% from its record share of 54.1%, falling to 48.3%.

Sub Sector Analysis

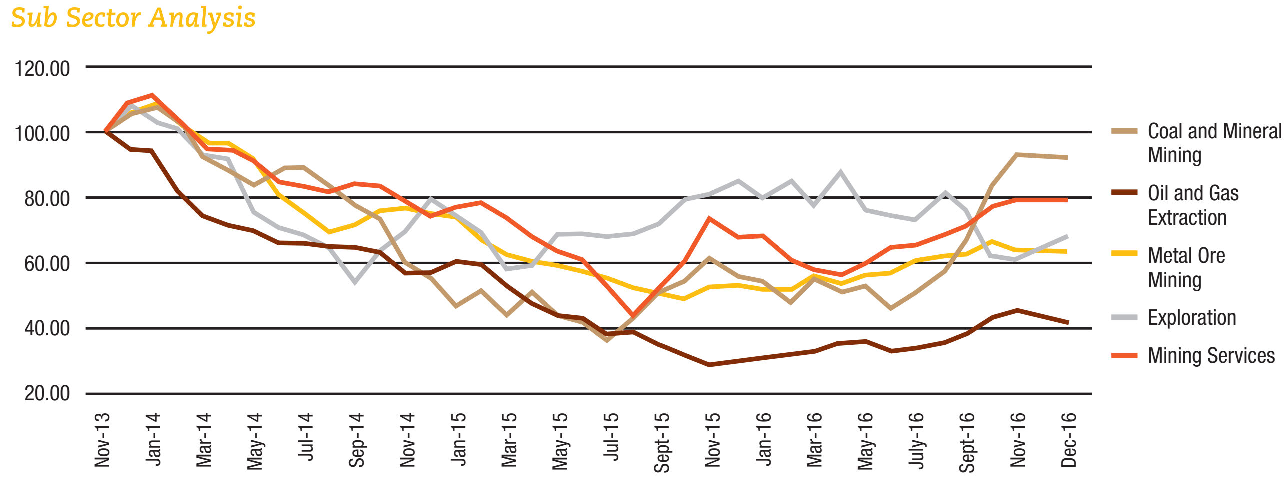

Chart 5: Analysis of Job Vacancies by Sub Sector

Five months of significant growth in the coal mining sector finally stalled in December. It slipped just 0.3% but still reports a massive 37.7% rise in the last quarter and 61.7% growth in 2016. The index now sits at 90.81, just shy of the high mark set last month. The market is unlikely to keep rising at its previous level indefinitely but if demand remains at this level during 2017, it will be a considerable improvement on 2014, 2015 and 2016.

Metal Ore Mining remained steady, falling just 0.1%, which is a good recovery after a weak November. Other than last month's fall, demand has been picking up consistently throughout the year rising 18.1%. While not nearly as spectacular as the growth in the coal sector, it can still be considered an encouraging year. The longer term trend in the index together with stronger iron ore prices, should see continued growth in employment prospects in 2017.

After a very strong November the Oil and Gas sector retreated 7.6% in December. This may just be a statistical correction as the OPEC production agreement announced in December has seen crude prices rise and an expectation of higher oil and gas prices in 2017. Employers will be encouraged by this but may have decided to wait until the new year to hire. Increased production levels in 2017 should see further job creation.

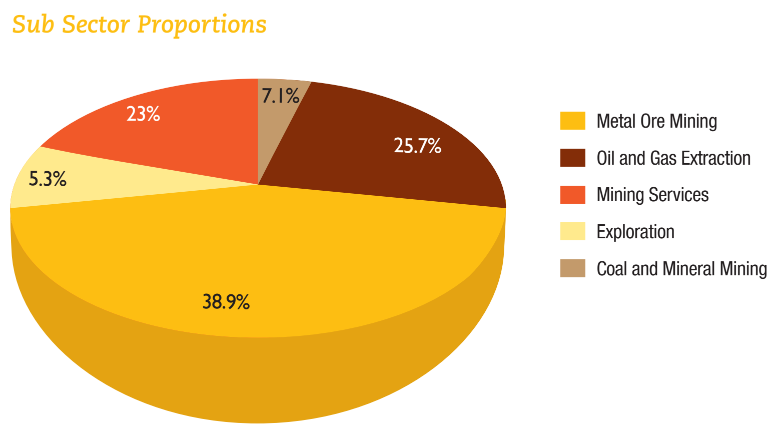

Chart 6: The Proportion of Job Vacancies by Sub Sector

The big mover in December was Exploration which rose 13.1%. Job activity has been muted in 2016 falling 19.8% during the year. It has taken longer for commodity price rises to work through to hiring activity amongst exploration companies as employers are naturally cautious having seen many exploration projects stalled or abandoned whilst prices were low. Cash and liquidity issues may also have held them back from further employment until now.

Market share has had minimal change over the last 12 months. Coal Mining has risen the most – from 5.5% to 7.1% while Exploration fell from 7.9% to 5.3%. The larger sub sectors have moved far less.

High Level Occupational Analysis

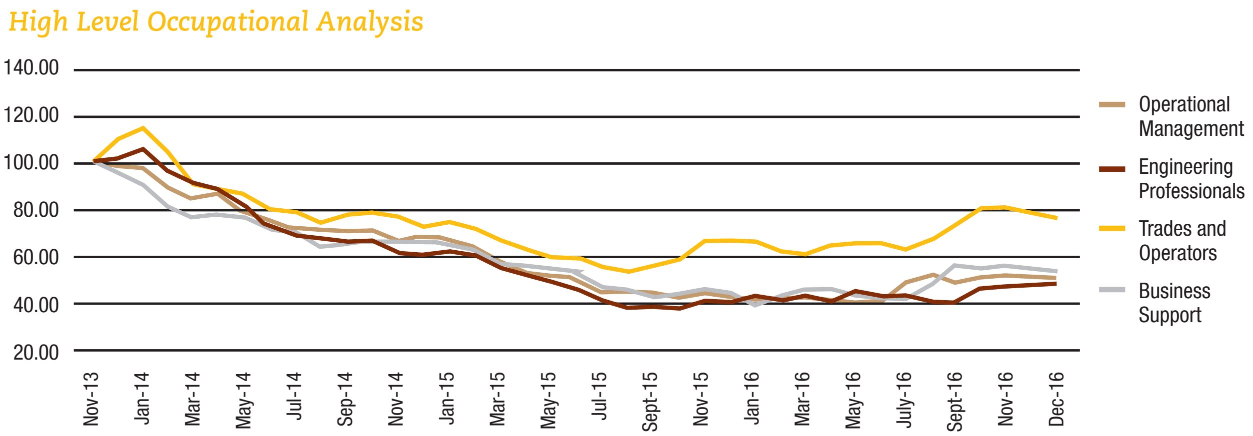

Chart 7: Analysis of Job Advertisements by Occupational Group

Engineering Professionals has continued its run of good form, recording a rise of 2.5% in December. This is the third successive rise taking the Index from 49.53 to 50.76 this month and the first time it has exceeded 50 since April 2015. Engineers seem to have been the worst hit by the downturn, reaching an all time low in October 2015. The improvements have been steady and modest (22.4% in the last 12 months from an exceedingly low base) but this trend bodes well for the new year.

All other major occupational groups retreated along seasonal lines. The weakest of these were Trades and Operators, falling 4.1%, which was somewhat surprising as Q3 was very strong. Increased production is more likely to create day to day operational job opportunities. Demand is still up 15.3% year on year but all of this was gained in the second half of the year. It remains the strongest group and we expect to see demand picking up again next year.

Operational Management

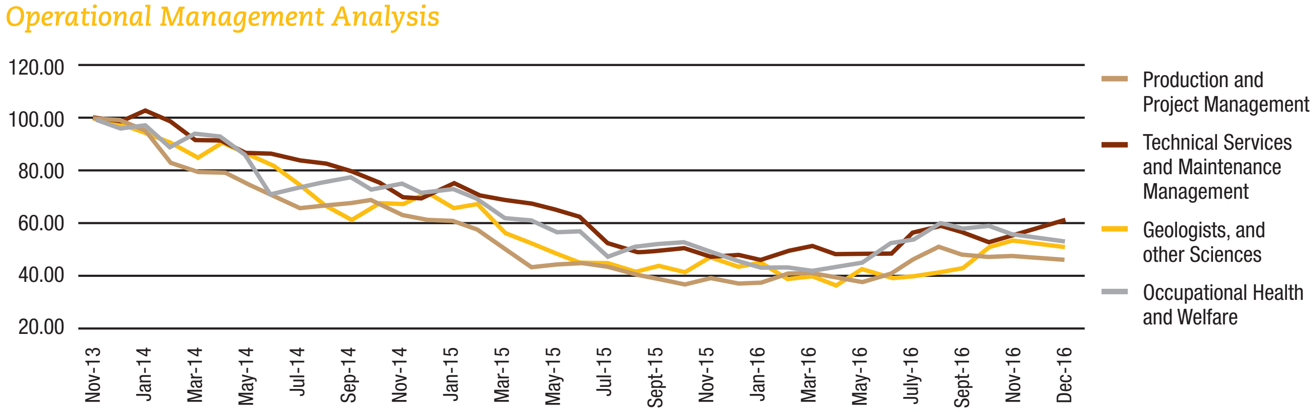

Chart 8: Analysis of Job Vacancies across Operational Management Occupations

December was another excellent month for Technical Services and Maintenance Management. Job opportunities soared another 8.7% taking the annual rise to 28.8%. At 60.44 it is now the strongest performing Operational Management category.

The other 3 categories all fell. December saw Geologists and other related scientists slip 4.3%, its first fall after a string of good performances. OHS and Production/ Project Management have been weak through much of Q4 and this continued in December. They fell 2.7% and 3.1% respectively, although all categories have performed well during 2016 albeit from a low base.

Engineering Professionals

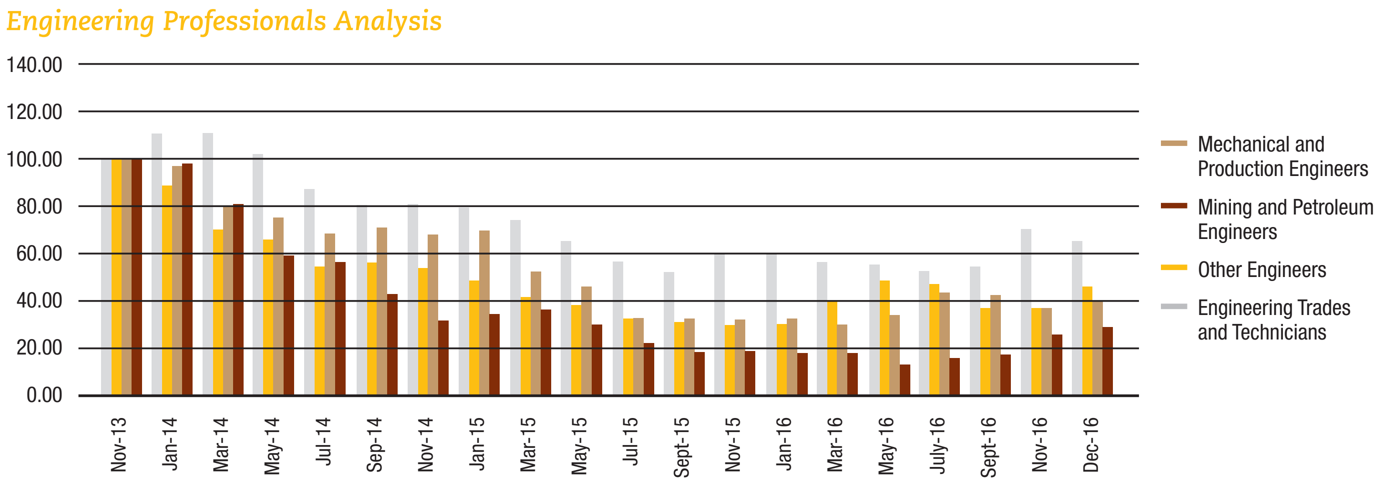

Chart 9: Analysis of Job Vacancies across Engineering Occupations

It was another great month for Mining and Petroleum Engineers. Q4 saw 3 sizeable monthly increases contributing to quarterly growth of 89.5%. Job opportunities for mining and petroleum engineers have now doubled in 6 months. Once again this is calculated from an exceedingly low base and this growth comes down to the rapid rise in commodity prices and improved confidence amongst mining and resource employers. The Index is still only 29.98, therefore there is plenty of scope for further improvement in 2017.

November saw a substantial fall in demand for Mechanical and Production Engineers so December's rise of 1%, in spite of the normal seasonal contraction, was most welcome. Although demand is still down 8.2% for the quarter, it's up 30.5% for the year.

Trades and Operators

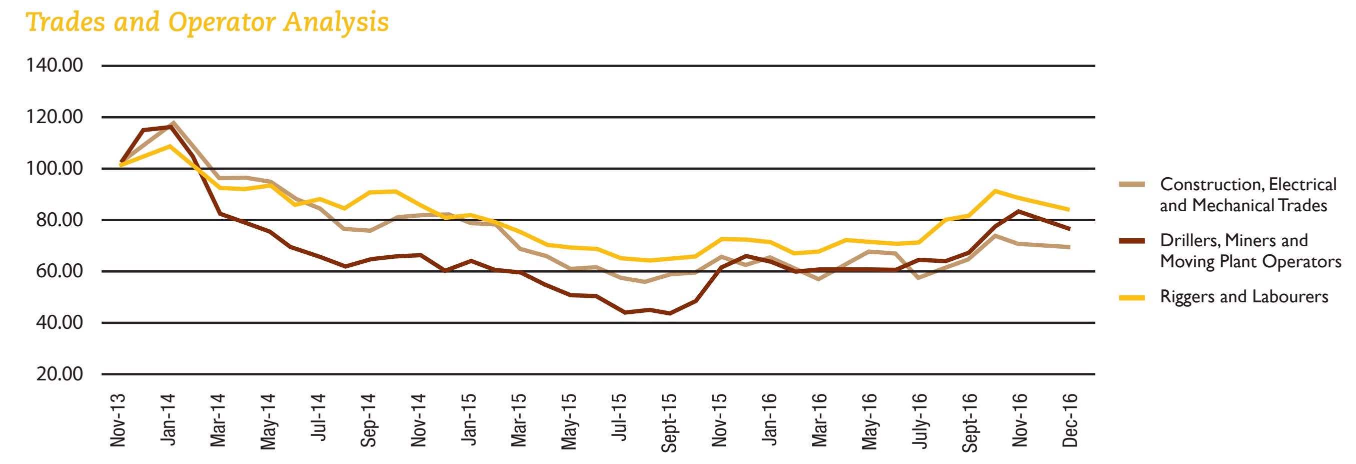

Chart 10: Analysis of Job Vacancies across Mining and Resources Trades and Operators

December was quiet across all occupations in this group. Drillers, Miners and Moving Plant Operators fell 5.3% and Riggers and Labourers by 5.4%. Construction, Electrical and Mechanical Trades fell just 0.9%. This soft close to the year disguises what has otherwise been a strong year with respective annual growth of 19.6%, 12.2% and 13.5%. It should also be noted that the Trades and Operator group have held up relatively well during the downturn, so this growth consolidates their position as the strongest of all occupational categories covered in the DFP Mining and Resources Job Index.

With commodity prices at high levels, economists predicting strong export growth and major projects such as Roy Hill in the Pilbara and Carmichael in Queensland's Galilee Basin expanding, we are more confident than the in the last 3 years of an improving job market for the Mining and Resources sector.