Oil, Gas and Mining People

DFP Mining and Resources Job Index

DECEMBER 2018

Detailed Market Analysis for the Mining and Resources Sector in Australia

Introduction

Welcome to the latest edition of the DFP Mining and Resources Job Index which provides month end data for December 2018.

Job vacancies in the Mining and Resources sector fell in December by 3.3%, closing out 2018. The impressive jobs growth seen in the sector in the first half of the year could not be sustained despite ending 6.1% higher year on year. There was more strength in permanent job vacancies throughout 2018 while demand for temporary and contract jobs was weak throughout the year.

WA performed most strongly in 2018 to end the year with 13.8% higher vacancies. Queensland suffered a very poor second half of the year and job opportunities in the state were 5% lower at year end.

The Oil & Gas sector finished the year strongly and job vacancies were 16.3% higher than at the same time last year. Conversely, the Coal Sector performed poorly over the last 6 months with demand down 8.2% over 2018.

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.

Local experts in the resources industry backed by a strong national brand.

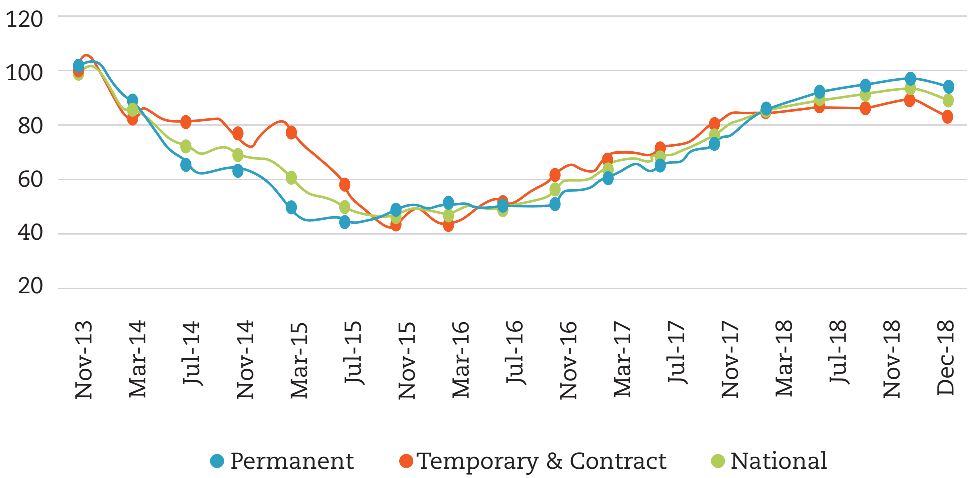
Focusing on contract and permanent positions, DFP Resources works in partnership with clients and candidates across a variety of Resources segments.

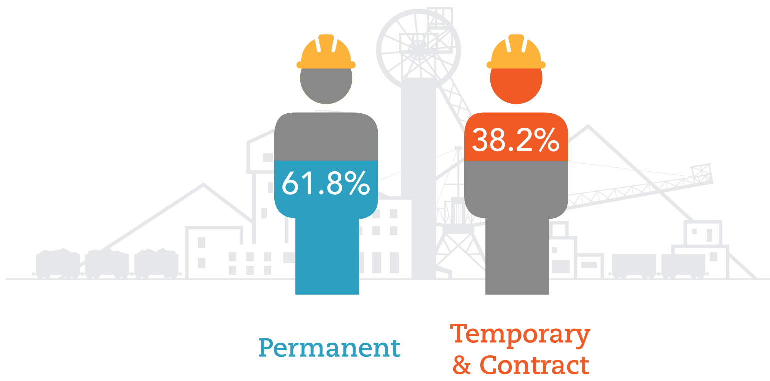
We recruit across the following resources segments:

- Exploration
- Mining – Surface & Underground
- Maintenance & Engineering
- Health, Safety and Environment
- Site Administration
- Learning & Development
- Oil and Gas
- Shutdowns
- Logistics and Transport
- Trades
- Projects

National Job Index

Chart 1: National Index and Job Type Analysis





Percentage of vacancies advertised in December 2018

December saw a further softening in demand with the DFP Mining and Resources Job Index falling 3.3% to 87.45. This is the second consecutive decline since the National Index reached 94.14 in October. Job opportunities are still 6.1% higher than a year ago, higher than most other industries and well above the national norm. It is, however, a disappointing end to an otherwise good year for the sector.

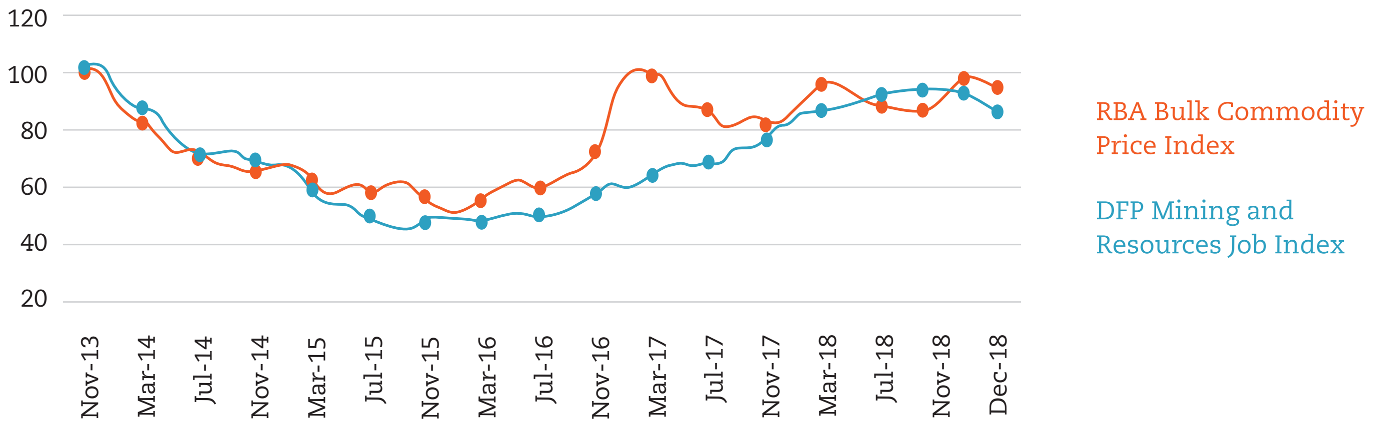
As highlighted last month, the market is still relatively strong but weakening because of the normal seasonal factors. Of greater concern is the Sino/US trade and tariff dispute which has the potential to seriously damage Chinese demand. This is likely to play an important factor in determining job prospects in 2019.

Last month the larger fall was in temporary and contract opportunities. The index fell 4.6% in December and 7.1% for the quarter. Some of this is undoubtably seasonal influences as employers will defer temporary appointments to the New Year wherever possible. Some recovery can be anticipated in early 2019, however temporary vacancies actually fell 1.4% over the year so the rebound is unlikely to be spectacular.

Permanent job opportunities also fell but only by 2.5%. The permanent market has been stronger throughout 2018, rising 11.2%. The proportion of permanent vacancies has also risen from 59% to 61.8% during the year. These are encouraging trends for job seekers, particularly those looking for greater security of tenure. The question is whether employers share that confidence.

National Job Index

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

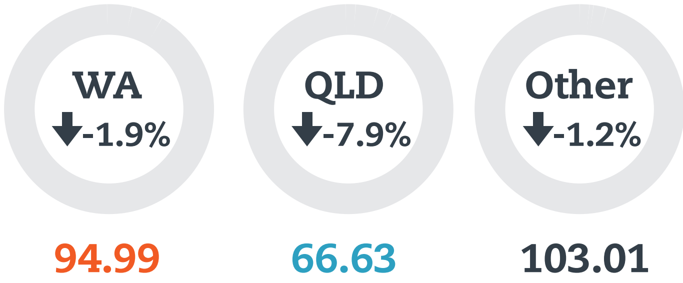


It is interesting to note that commodity prices have been more volatile than the DFP employment indicator. This volatility does not help employment. The RBA's Non Rural Bulk Commodity Price Index has now fallen by 2% for 2 months in succession which is having an immediate effect on the job market.

The DFP Mining and Resources Job Index started lower than the Commodity Price Index and has fallen far more (total 7.1%) over the last 2 months. An element of this is seasonal. Commodity prices will continue to move up and down but we will have to wait until February, at the earliest, to get a feeling for job prospects and trends emerging in 2019.

State Analysis

Chart 3: Comparison of State Job Indices - **December Index**



The state by state picture is a lot clearer. Demand has fallen in all regions in both November and December. While WA and the other states have fallen slightly, Queensland has fallen substantially. Queensland saw a 7.9% decline in December and has shed a worrying 16.5% over the last quarter. This is structural, not seasonal.

Queensland is primarily a producer of coal, thus the decline can be directly linked to the price of coal. Coal prices peaked in July and have, since then, fallen by approximately 15%. Employment has fallen accordingly. Further delays in the approval process for the Adani Carmichael mine has not helped and approval for this major project will have a profound impact on job opportunities in the sector in Queensland this year.

Western Australia has performed better by all benchmarks: demand fell 1.9% in December. It was steady over the quarter (up 0.1%) and has risen an impressive 13.8% year on year. The concern is that the annual rise occured in the first half of the year and demand has since stabilised. This implies that employers are still hiring at a good level but the international trade issues are constraining further growth.

The year end picture tells a similar story. In the last year, Western Australia's share has risen 3.4% to 49.7%, its highest share since February 2017. Meanwhile, Queensland's share has slipped from 27.8% to 24.9%.

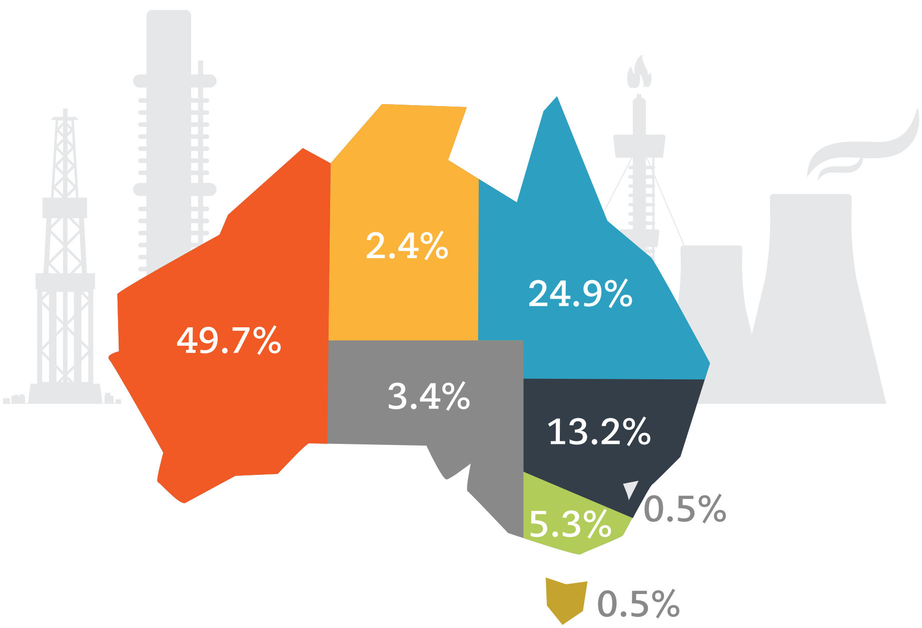


Chart 4: Analysis of Job Advertisements by State and Territory - **November Index**

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Sub Sector Analysis

Chart 5: Analysis of Job Vacancies by Sub Sector - **December Index**

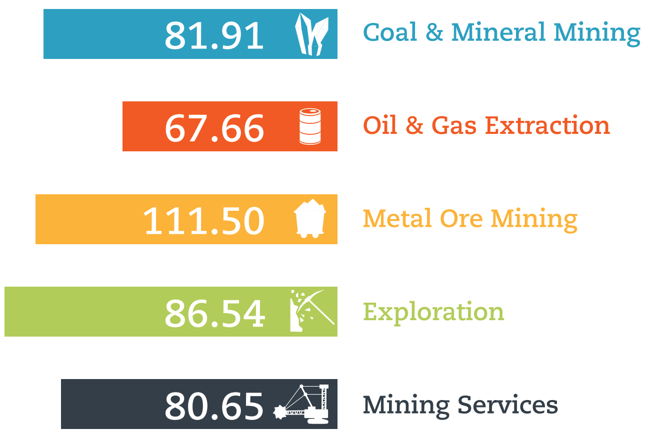
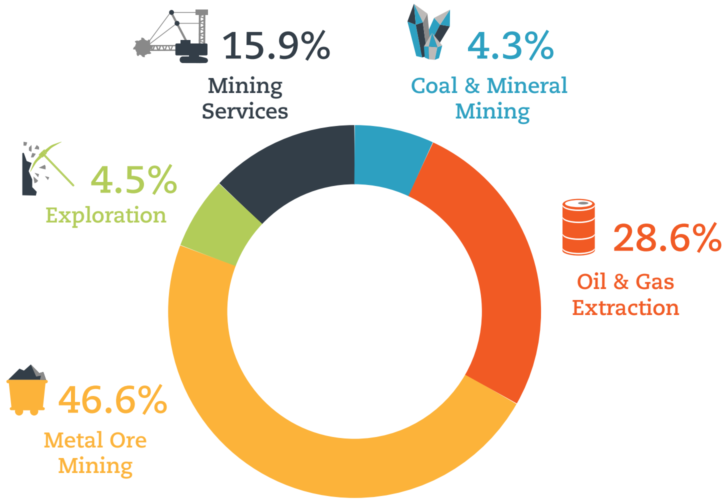


Chart 6: The Proportion of Job Vacancies by Sub Sector - **December Index**



Despite some significant movements in oil and gas prices, demand for staff in the Oil & Gas sector has held up surprisingly well. Demand actually rose 2.8% last month and grew by 16.3% year on year. The index now sits on 67.66, not far off the high mark of 73.92 achieved in July. Employment has been boosted by the commencement of new gas projects as well as completion and movement into production of others. This should give job seekers cause for optimism for their prospects next year.

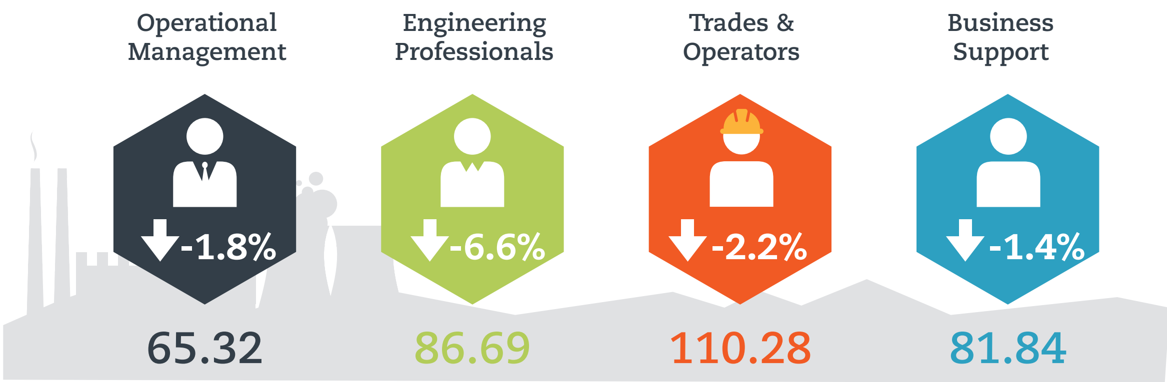
The picture is less clear in Metal Ore Mining. We saw exceptional growth in the early part of the year, a somewhat erratic mid year period followed by a significant drop (11.0%) in the last quarter. The net impact was a 5.1% rise in job opportunities during 2018. It all hinges on trade conditions and pricing. Iron Ore prices have held up around the US$70 level for the second half of the year but the Sino American "Tariff War" seems to have spooked Australian producers who are taking a cautious approach.

Coal Mining is facing the greatest challenge. The index lost 8.5% in December, taking the quarterly shrinkage to 17.8%. Job opportunities have fallen 8.2% over the year. Falling prices will have had an immediate short term impact but there are also considerable political/ environmental headwinds facing the sector that may well hurt job prospects in the medium and longer term.

The change in sub sector proportion between December 2017 and 2018 inevitably reflects the performance of their respective job index during that period. Oil& Gas Extraction experienced the strongest growth. Its share has risen 2.5% during the year to 28.6%. All the other sub sectors experienced small falls in market share.

High Level Occupational Analysis

Chart 7: Analysis of Job Advertisements by Occupational Group - **December Index**



	Operational Management	Engineering Professionals	Trades & Operators	Business Support
Nov 2018 *(1 month ago)*	66.53	92.81	112.79	82.96
Jun 2018 *(6 months ago)*	71.24	90.39	109.35	97.06
Dec 2017 *(12 months ago)*	60.11	84.66	98.03	85.31

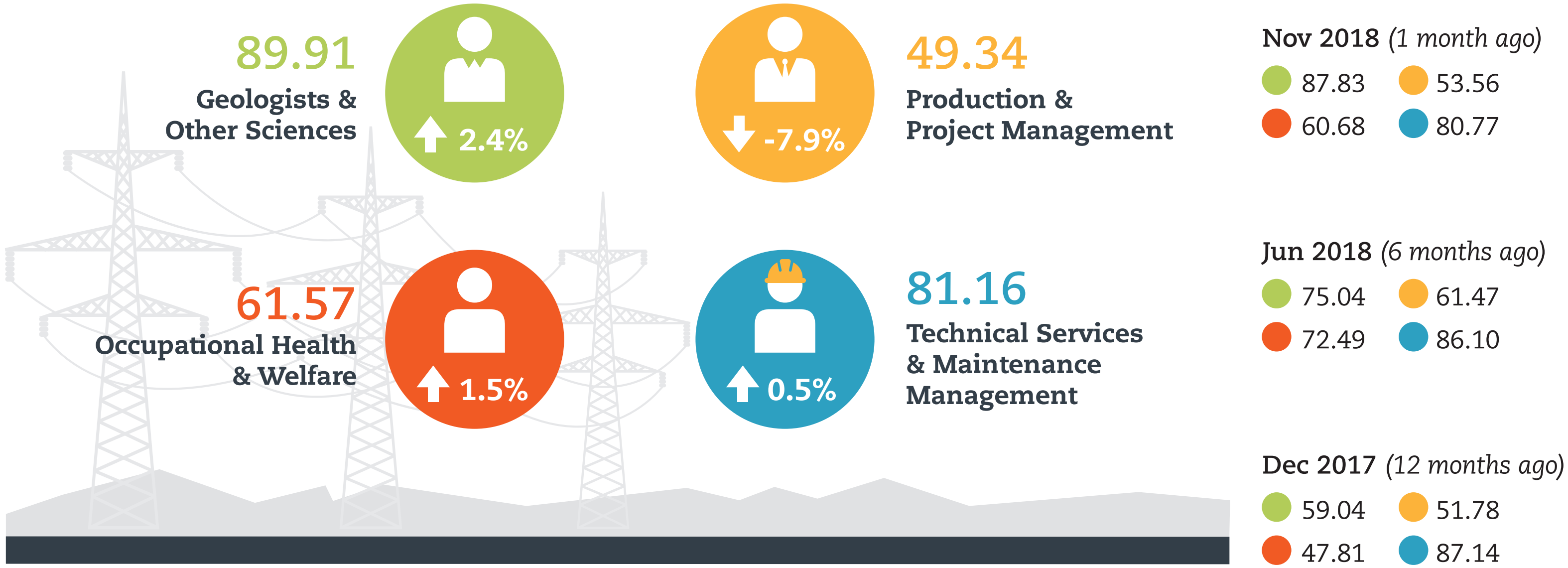
All High Level Occupational groups fell in November and December. In December, Engineers took the most significant hit falling 6.6%. This dragged the annual increase in demand for Engineering Professionals down to just 2.4%. Before the weak last quarter, their index had risen consistently and reached a recent peak of 95.02 falling to 86.69 at year end.

Operational Management experienced a 1.8% fall in December. This still leaves the index 8.7% higher than a year ago. It reflects a strong annual performance, but does disguise the fact that all the gain was achieved in early 2018.

Trades & Operators also had a great year rising an impressive 12.5% in the 12 months to December. Yet again, that growth was seen in the first half of the year with little movement thereafter. However, the Trades and Services job index ended the year on 110.28, easily the highest major occupational group.

Operational Management

Chart 8: Analysis of Job Vacancies across Operational Management Occupations - **December Index**



Once again Geologists & Other Sciences stood out as job opportunities rose by 2.4% in December. The index is now on 89.91, an impressive 52.3% higher than last December. Although the base level was low, it is a remarkable rise for any occupation in any sector. For an occupational group whose career prospects are very closely tied to the rise and fall of the mining and resources sector, this improvement is long overdue.

The other profession to enjoy a remarkable year was Occupational Health & Welfare (OH&W). The volume of job opportunities rose an impressive 28.8%, primarily in the early part of the year with demand slowly retreating since then. The index peaked on 72.49 and has fallen to 61.57 since then but, overall, OH&W professionals will reflect on 2018 as a good year.

The same cannot be said of Production & Project Management. What started as an encouraging year was really only sustained until mid year. There have been 5 successive declines in job opportunities and demand is now 4.7% lower than a year ago. This is a disappointing result considering the overall Mining and Resources Job Index rose 6.1% over the same period.

Engineering Professionals

Chart 9: Analysis of Job Vacancies across Engineering Occupations - **December Index**

-7.5%

89.74

Mechanical & Production Engineers

96.98 - Nov 2018 *(1 month ago)*
103.46 - Jun 2018 *(6 months ago)*
75.89 - Dec 2017 *(12 months ago)*

0.7%

77.06

Other Engineers

76.49 - Nov 2018 *(1 month ago)*
75.02 - Jun 2018 *(6 months ago)*
53.97 - Dec 2017 *(12 months ago)*

-1.3%

58.02

Mining & Petroleum Engineers

58.78 - Nov 2018 *(1 month ago)*
55.71 - Jun 2018 *(6 months ago)*
51.90 - Dec 2017 *(12 months ago)*

-10.1%

100.80

Engineering Trades & Technicians

112.16 - Nov 2018 *(1 month ago)*
107.49 - Jun 2018 *(6 months ago)*
114.41 - Dec 2017 *(12 months ago)*

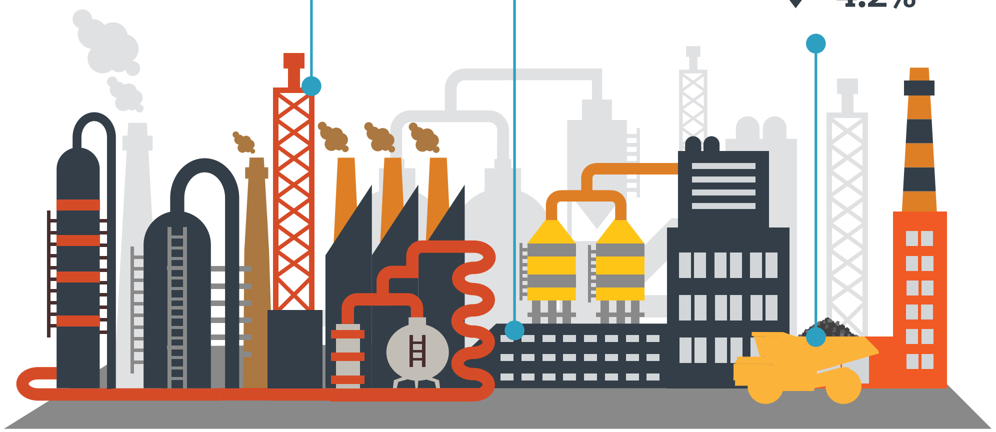
It is very unusual to see fluctuations in demand as that seen by Engineering Trades & Technicians over the last 2 years. 2017 was a bumper year with demand rising nearly every month. Demand peaked last January on 118.55 then collapsed over the next 4 months. Momentum picked up once more and the index found a new record high of 122.83 in September only to fall back to 100.80 by year end. It is hard to find a logical reason to explain this and impossible to judge what will occur next year.

The pattern was a little more predictable for Mechanical & Production Engineers with 5 months of growth, 6 months of stability and a final month of decline. Net result was growth of 18.2% over the 12 months. Demand peaked in May at a record high level of 103.46 and the decline since then is reasonably stable. Hopefully, the 7.5% fall in December is mostly seasonal and similarly high levels of job vacancies can be restored in 2019.

Mining & Petroleum Engineers would also be happy with trends for their skills. Demand rose 11.8% year on year. The big difference here is that demand has picked up strongly in the last quarter. The index ended the year on 58.02, just down on November's peak of 58.78. This is still a level way below that seen during the Boom and below all other occupations in the sector. At least the momentum is up and therefore likely to continue in 2019.

Trades and Operators

Chart 10: Analysis of Job Vacancies across Mining and Resources Trades and Operators - **December Index**



Riggers & Labourers	Construction, Electrical & Mechanical Trades	Drillers, Miners & Moving Plant Operators
143.82 Nov 2018 *(1 month ago)*	86.36 Nov 2018 *(1 month ago)*	107.23 Nov 2018 *(1 month ago)*
150.48 Jun 2018 *(6 months ago)*	85.85 Jun 2018 *(6 months ago)*	92.60 Jun 2018 *(6 months ago)*
123.69 Dec 2017 *(12 months ago)*	79.15 Dec 2017 *(12 months ago)*	91.01 Dec 2017 *(12 months ago)*

2018 was a good year for all Trades & Operators. Construction, Electrical & Mechanical Trades deserve special mention having achieved the highest annual growth rate (14.0%) as well as one of few occupations to experience growth in job vacancies in December. Growth last month of 4.4% was very impressive.

Drillers, Miners & Moving Plant Operators enjoyed expansion of 12.9% year on year and was another occupational category where, contrary to the general trend, growth was strong in the second half of the year. Demand peaked in October on 108.52 and has slipped back to 102.76 by year end but the momentum should carry through to 2019.

Riggers & Labourers saw exceptional growth in job opportunities in the first half of the year and achieved an occupational index high of 156.21 in July, a level unmatched by any other in the sector. A poor fourth quarter (down 8.4%) limited the annual rise to 11.3%. Prospects for 2019 also look favourable if commodity prices can be sustained or improved.