Oil, Gas and Mining People

JULY 2014

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 July 2014.

The Index dropped 2.5% from June to 72.77 for the month of July 2014, making the last 3 successive monthly figures account for a total decline of 9.8% for the quarter. The trend shows no dramatic overnight fall but rather a steady month by month erosion in demand. The decline cannot be attributed to single events but rather a combination of factors also alluded to in our previous reports.

It is encouraging to note that over the past 3-6 months demand has stabilised in the Queensland market. Unfortunately, the opposite has occurred in Western Australia with demand seeing a reduction that was not apparent late last year or in early 2014.

Whilst it represents a small fraction of all vacancies, Non Metalic Mineral Mining Services was the only sub sector that did not experience a decline. Exploration and Coal Mining stand out as the weakest performing sectors although Exploration shows signs of stabilisation.

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

National Job Index

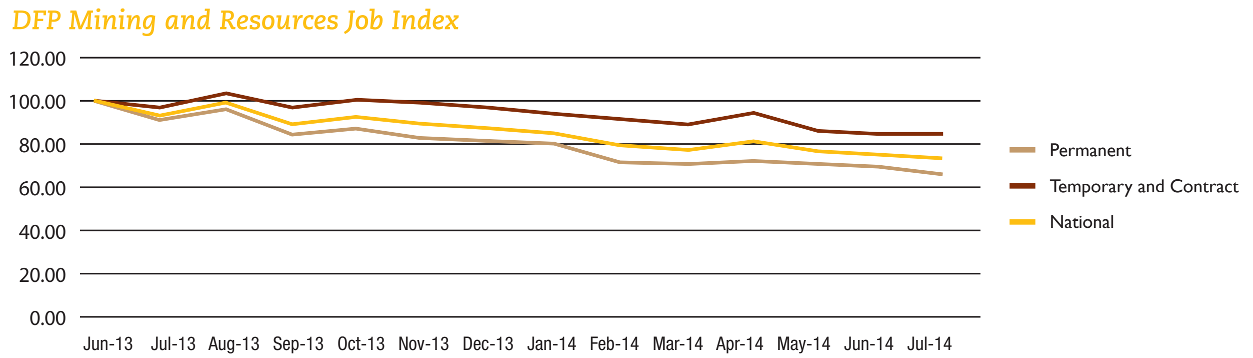

Chart 1: National Index and Job Type Analysis

The Mining and Resources sector has experienced a further fall of 2.5% in job advertisements in July, with the DFP Mining and Resources Job Index falling from 74.61 to 72.77. The last 3 successive monthly falls account for a 9.8% fall for the quarter. Job seekers were not given much confidence with the warning from the central bank stating it does not expect a sustained fall in the unemployment rate for another 2 years. While not an encouraging thought, it is quite likely that the downward trend seen in the Index over the past 12 months seems set to continue.

The trend shows no dramatic overnight fall but a steady month by month erosion in demand. The decline cannot be attributed to single events; instead, a range of negative forces such as a high Australian dollar, high production costs, questionable Chinese economic growth, budget and political uncertainty in Australia, and a lack in exploration investment, all combining to unsettle employers.

The only comfort that employees may take from the most recent set of data is that, at least demand for temporary and shorter term contractors remains relatively strong. The Temporary and Contract Index rose in July from 83.80 to 84.36 and is now only 15% off the level of demand recorded last June. Over the same period, permanent job opportunities have fallen to a new low of 65.44, a one third collapse in demand.

Temporary and Contract advertisements now represent 44.9% of all advertisements, an increase from 38.74 in June 2014.

THINKING PEOPLE

State Analysis

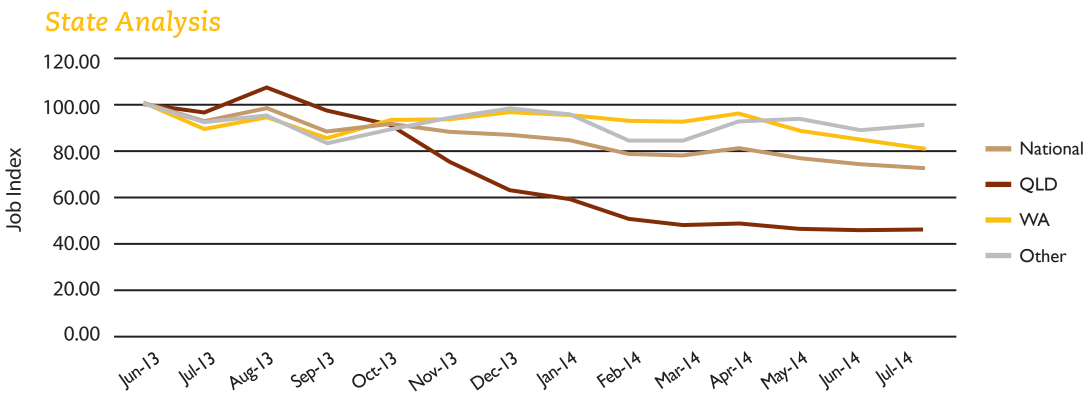

Chart 2: Comparison of State Job Indices against the National Norm

The most encouraging development over the past 3 to 6 months has been the stabilisation in demand in Queensland. Whilst employment advertising is subdued, demand eased only 4.4% in the last quarter, compared with a deeply concerning fall of 52.5% over the past 12 months, with most of the losses incurred in the second half of 2013.

Unfortunately, the trend is the opposite in Western Australia. The employment market seemed to have held up reasonably well in late 2013 and early 2014, but has since seen a 14.8% reduction in advertised roles within the Mining and Resources sector.

As WA is the largest employer of mining staff nationally, obviously this does translate to a considerable reduction in advertised vacancies. The recent Department of Employment Skills Shortage Report highlights the easing in supply in what was previously a very tight market.

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

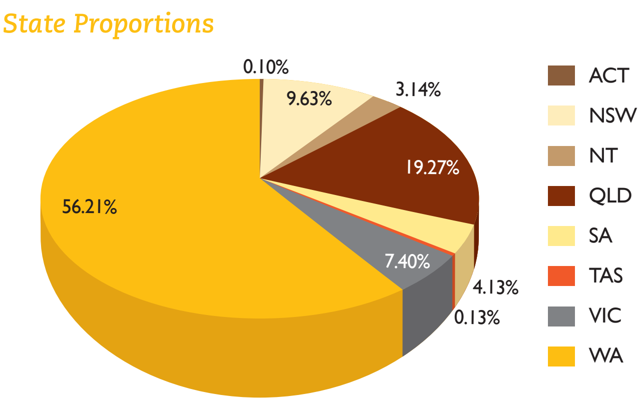

Chart 3: Analysis of Job Advertisements by State and Territory

In line with its recent weak quarter, Western Australia's share of all mining and resources jobs has fallen to 56.21%. By way of contrast, it represented just over 60% of all vacancies in early 2014. Western Australia continues to completely dominate in terms of resources opportunties, therefore, the recent decline for personnel demand is of national concern and a contributor to the overall unemployment rate.

Sub Sector Analysis

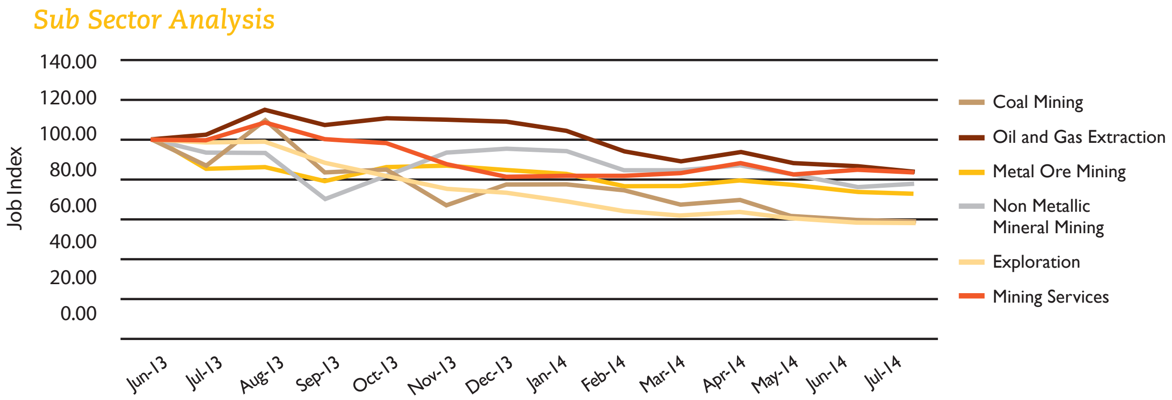

Chart 4: Analysis of Job Vacancies by Sub Sector

All resources sub sectors with the exception of Non Metallic Mineral Mining Services experienced falls in advertised opportunities in July. As Non Metallic Mineral Mining Services only represents less than 3% of all vacancies, the rise did little to arrest the overall decline.

Whilst all sub sectors follow a broadly similar pattern downwards, Exploration and Coal Mining stand out as the weakest performing sectors. However, where Exploration shows signs of stabilising, there is little positivity in Coal Mining where demand fell a further 18.9% in the last quarter.

The exploration sector has been the hardest hit as a result of the decline in resources investment. Ausdrill Australia Chief Operating Officer, Alex McCulloch, was quoted on ABC Rural as saying "Since the peak of the boom we've probably lost 30 per cent of our workforce in Australia."

Many of DFP's clients within the drilling industry are advising a considerable number of drilling rigs are 'parked up', some advising they have no rigs working at all.

Whilst there are no winners, the 2 sub sectors to have performed above the industry norm are Metal Ore Mining, down 16.0% and Mining Services, down 16.2% over 12 months against a 21.6% fall industry wide in the last year. Both of these sectors also stood up relatively well in the last quarter with declines below average.

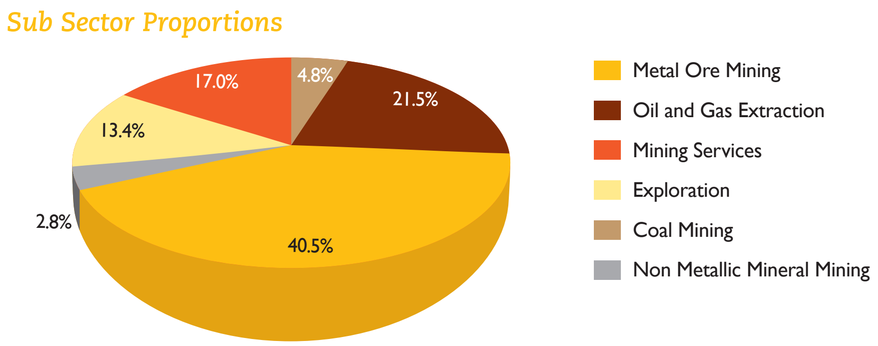

Chart 5: The Proportion of Job Vacancies by Sub Sector

Metal Ore Mining still represents 40.5% of the entire current demand for staff (40.9% when we started recording in June 2013); therefore, its relative strength in the current year gives some encouraging signals. Oil and Gas extraction now represents 21.5% of the market, an increase on the 18.9% held mid last year. We would expect this proportion to continue to grow as the Gas sector continues to strengthen.

High Level Occupational Analysis

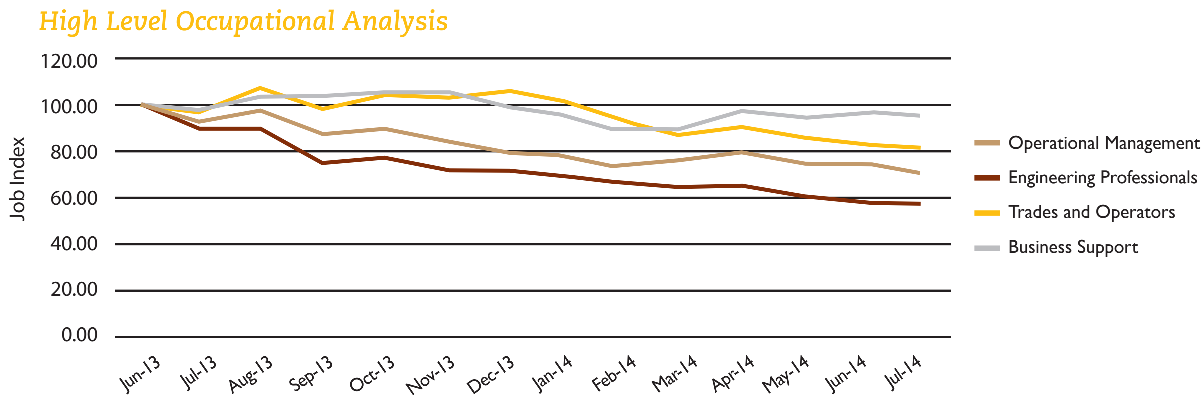

Chart 6: Analysis of Job Advertisements by Occupational Group

July saw a sizeable 5.7% fall in demand for Operational and Production Management positions, a disappointment given 6 months of quite stable demand. Likewise, advertisements for Trades and Operators fell 2%, although demand has been weakening over several months.

Some relief was found amongst Engineering Professionals which recorded a minimal 0.7% fall. Demand for Engineers may be showing signs of stabilising after a tumultuous 12 months. Surprisingly, Business Support has held up best of all and currently sits at 94.85, recording only a 5% fall in 13 months.

Operational Management

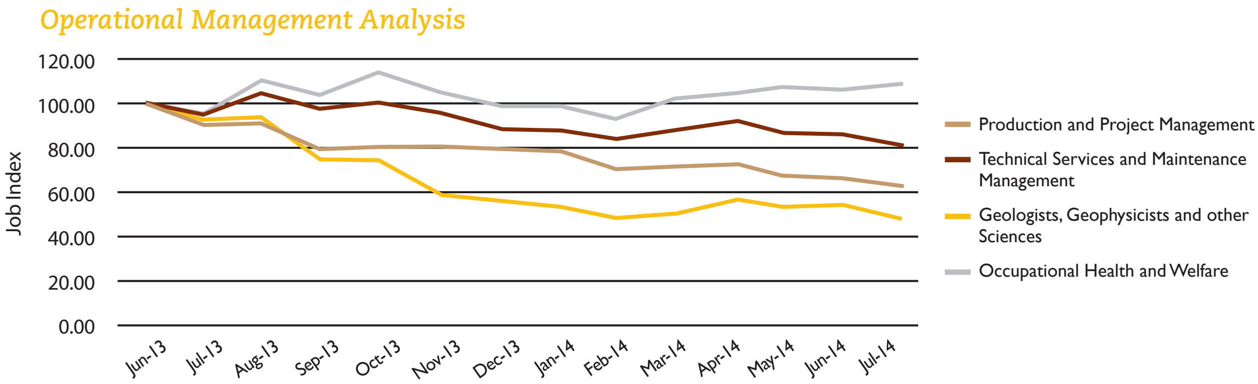

Chart 7: Analysis of Job Vacancies across Operational Management Occupations

The graph demonstrates contrasting fortunes within the Mining and Resources Operational Management occupational categories. Geologists and Geophysicists show the weakest trend – the index falling to 48.11, a 43% drop in the last 12 months. This is a reflection of highly specialised professionals now struggling to find new opportunities as exploration in Australia has stalled.

Other areas of management have fared somewhat better but still sit below the 100 benchmark set in June 2013. The only exception to this is OHS/HSE where the index has risen to 108.30 after 5 months of successive rises in job opportunities. This is an area where employers still find it challenging to attract appropriately qualified and experienced professionals.

Engineering Professionals

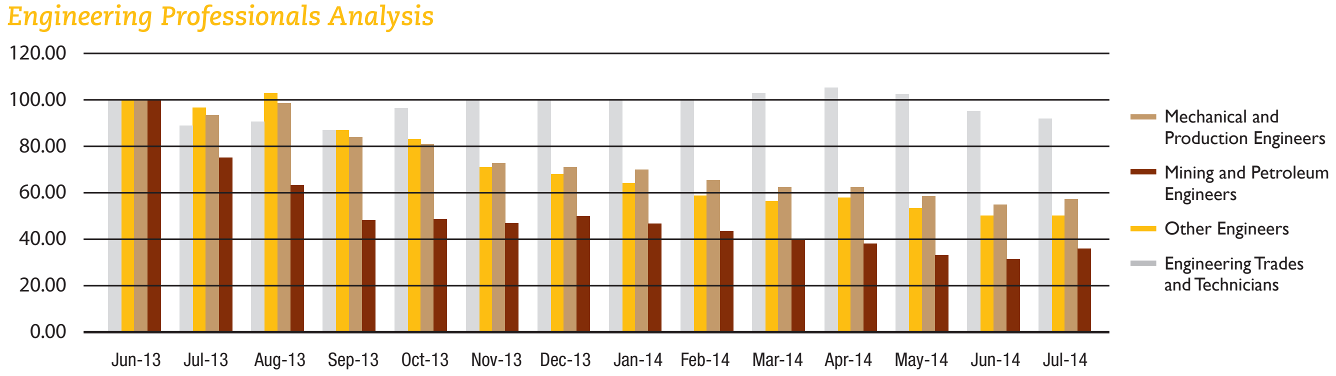

Chart 8: Analysis of Job Vacancies across Engineering Occupations

Again, strong contrasts can be observed across different engineering disciplines. Engineering Trades and technical demand remains the strongest group, despite steep declines in the last 3 months, falling 15.8% in the last quarter.

Conversely, Mining and Petroleum Engineers, the weakest engineering occupational classification over the last 12 months, has seen stabilisation in the last couple of months. This classification has only drifted down 7.9% in the last quarter, and even rose in July, a big improvement on the market conditions it experienced in the third quarter of 2013.

Trades and Operators

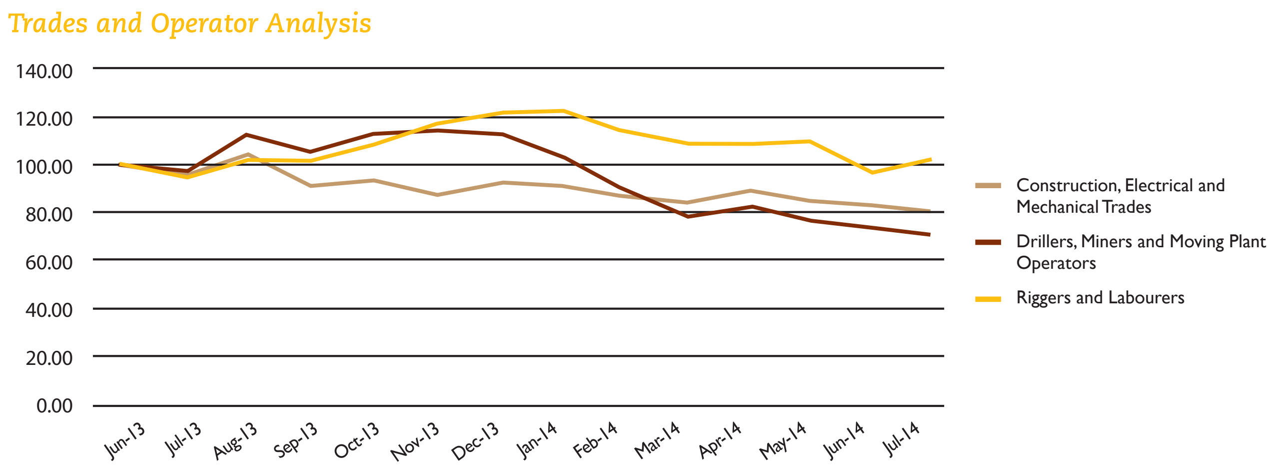

Chart 9: Analysis of Job Vacancies across Mining and Resources Trades and Operators

The market seems to have finally caught up in Trades and Operators job categories. Where demand held up in late 2013, when the rest of the market was in steep decline, these occupations are now feeling the impact of reduced exploration and lack of new project commencement. Both Construction, Electrical and Mechanical Trades (-9.4%) and Drillers, Miners and Moving Plant Operators (-14.1 %) have experienced weak quarters.

This trend has not followed for Riggers and Labourers who experienced a 4.2% rise in July and are now 7.5% ahead year on year. This group is really a stand out performer in an otherwise lacklustre sector.