

PRESS RELEASE

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Publication of *Silver Survey 2003*

2002 Average Silver Price Rises 5% despite 3.5% Fall in Fabrication

GFMS (Gold Fields Mineral Services) and The Silver Institute today released *Silver Survey 2003* at a launch in New York. The following details some of the highlights of the *Survey* from the briefing given by Philip Klapwijk, Managing Director of GFMS. This is the 9th annual survey of the world silver market that GFMS have carried out on behalf of the Institute who have been publishing the *Silver Survey* since 1990.

Total fabrication was estimated to have fallen by 3.5% in 2002 to 838.2 Moz (26,071 t). The decline was mainly due to the fall in Indian demand. The latter was concentrated in **jewellery & silverware** which fed through to a hefty 9% drop in the global total for this category to 259.2 Moz (8,061 t). **Photographic** demand was also lower year-on-year, falling 4% to 205.3 Moz (6,386 t), due chiefly to the global economic slowdown and digital inroads. In contrast, **industrial** offtake rose a fraction, partially recovering to 342.4 Moz (10,651 t), due to such factors as lower destocking. **Coin** fabrication also increased, up 3% to 31.3 Moz (973 t). **Producer hedging** switched to the demand side last year as a result of the 24.8 Moz (772 t) cut in the net hedge position. This left the global hedge book at end 2002 at 72.4 Moz (2,253 t).

As for supply, **mine production** fell by 0.6% to 585.9 Moz (18,224 t), its largest drop since 1994, as sharp declines in the United States and Mexico outweighed gains elsewhere, for example in Australia, Canada and Russia. Current expectations are for a further modest fall in 2003. Net **government sales** fell a sharp 18% to 71.3 Moz (2,219 t), chiefly as a result of the fall in Chinese sales. **Scrap** supply rose a modest 1% to 184.9 Moz (5,751 t) as sharp losses in the United States countered generally higher levels elsewhere, in particular the surge of old coins from Saudi Arabia/Yemen. The market saw a small level of **implied net disinvestment** last year (20.9 Moz or 649 t) but the modest scale of this component suggests a lack of commitment on the part of investors rather than a return to wholesale selling.

Prices in 2002 averaged \$4.60, a 5% rise year-on-year. This was a better performance than many base metals but its gains were smaller than gold's 14% rise. GFMS forecast that prices in 2003 are unlikely to move substantially outside last year's trading range. However, the consultancy believes silver's residual precious metal status could give prices some slight bias to the upside, particularly if gold makes a move and/or if political and financial tensions were to grow again.

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Silver Survey 2003 contains over 80 pages of statistics, commentary and analysis on all aspects of world silver supply/demand and on silver prices in various currencies. For North America, the publication can be ordered from The Silver Institute and elsewhere from GFMS for £115/US\$175/€190 per copy. To do so, please contact either the Silver Institute on tel: +1 202 835 0185, fax: +1 202 835 0155, e-mail: info@silverinstitute.org or GFMS on tel: +44 20 7539 7820, fax: +44 20 7539 7818, e-mail: silver@gfms.co.uk.