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## Comments on the Asian Silver Market

by Paul Walker, Director, GFMS

Silver demand in Asia is dominated by a handful of large markets, namely Japan, China, India and Thailand, who collectively account for around 40% of total world fabrication offtake. Of these, India and China have been two of the biggest “swing” factors in the global silver market in recent years.

China’s influence has been on the supply side. Since 1998 there has been an explosion in the quantity of silver coming out of the mainland (although it should be noted that the metal has been moving into Hong Kong since the late 1980s), and there is little doubt in our minds that these exports have been important in holding back the price. In 2001, we estimate that China’s **stock** run down alone supplied around 7% of world demand. There is confusion amongst certain analysts as to the actual source of the metal coming out of China, with some suggesting that it is all from silver contained in imported base metals concentrates. *World Silver Survey 2002* examines this contentious issue in some detail and concludes that this is not the case.

India’s influence in the last decade has been firmly on the demand side, with offtake surging to record levels in 2001 according to *World Silver Survey 2002*. According to GFMS estimates, imports surged by close to 20%, or over 24 million ounces. Crucially, the Chinese and Indian silver markets have, in the past four years, become increasingly intertwined. We estimate that a significant portion of India’s needs over this period have been met from Chinese supplies, effectively “removing” a key source of demand in the London market.

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