

World Silver Survey 2006 - The Highlights

Market Moves

- The annual average silver price in 2005 rose a robust 10%, thanks in part to a dramatic fourth quarter rally whose gains continued into 2006 in a yet more dynamic manner, with prices in April reaching levels last surpassed in February 1983.
- The rally was overwhelmingly the result of a surge in investor interest, though strong industrial offtake, an initially stable jewellery sector and a muted scrap response provided a reasonably firm base for the rally.

Supply Fundamentals

- Global mine production rose by a solid 3% to a new high of 641.6 Moz (19,954 t). Much of the increase came from Mexico, Peru, Australia, Russia and Kazakhstan, while sizeable losses were recorded in Canada and Poland.
- Producer hedging rose by over 50% to 15.1 Moz (469 t), in part through new project hedging.
- Net government sales rose just 2% to 68.0 Moz (2,114 t) as the emergence of Indian selling outweighed lower Russian and Chinese sales.
- Scrap supply rose only 3% to 187.3 Moz (5,826 t), partly as lower photographic scrap largely balanced higher jewellery scrap.

Demand Fundamentals

- Implied net investment rose by 23% to 47.5 Moz (1,478 t), a figure whose significance is masked by high levels of two-way trading. The rise was largely due to buying in anticipation of the expected launch of a silver exchange traded fund and to sympathetic rallies in gold and base metal prices.
- Total fabrication rose 3% in 2005 to 864.4 Moz (26,885 t), largely thanks to the industrial component.
- Industrial offtake rose a robust 11% to 409.3 Moz (12,732 t), chiefly through strength in the electronics/electrical field.
- Jewellery and silverware fabrication managed growth in 2005, if only of 1% to 249.6 Moz (7,763 t), as buoyant global GDP growth helped outweigh the negative impact of higher prices.
- Further digital inroads led to an acceleration in the fall in photographic demand to 9%, leaving offtake at 164.8 Moz (5,126 t).
- Coin and medal fabrication slipped by 4% to 40.6 Moz (1,264 t), its second highest level in the last 11 years.

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The World Silver Survey 2006 contains the only truly global analysis of the world's silver markets and has been produced by GFMS on behalf of The Silver Institute in Washington since 1994.

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