

World Silver Survey 2007 - The Highlights

GFMS and The Silver Institute launched *World Silver Survey 2007* at an event in New York City on 23rd May. The *World Silver Survey* contains the only truly global analysis of the world's silver markets and has been produced by the independent precious metals research consultancy, GFMS, on behalf of The Silver Institute in Washington since 1994. Below is a selection of highlights from the presentation given by Philip Klapwijk, Executive Chairman, GFMS:

Market Moves

- The rise in the silver price in 2006, basis annual averages, was an impressive 58%, with the \$11.55 achieved the highest ever bar 1980's average of \$20.98. The daily high within 2006, \$14.94 on 12th May, was a 25-year high.
- The rise in average prices and the rally to the May high were both largely due to surging investment and, in particular, the launch of a silver exchange traded fund (ETF). However, resilient fabrication and a limited scrap response also contributed.

Supply Fundamentals

- Global mine production rose just 0.1% in 2006 to 646.1 Moz (20,095 t), as growth in Peru, China, Chile and Mexico was countered by a dramatic fall in Australian output, largely the result of rehabilitation work at Cannington.
- Scrap grew by less than 1% to 188.0 Moz (5,848 t), reflecting the price inelastic nature of industrial scrap and the counter-vailing behaviour of photographic scrap (down heavily due to digital inroads) and jewellery scrap (up notably due to the price).
- Net government sales rose by 18% to 77.7 Moz (2,415 t), thanks mainly to higher Russian sales and ongoing Indian disposals.

Demand Fundamentals

- Total fabrication was not far off unchanged in 2006, slipping only 0.9% to 840.5 Moz (26,142 t). This overall resilience was mainly due to industrial offtake, which rose by 6% to a record 430.0 Moz (13,375 t), thanks in the main to a strong electrical/electronics performance. Price strength, however, helped cause a 5% fall in jewellery demand, while, being burdened additionally with structural issues, silverware fell a stronger 11%. Losses to digital meant a decline for photographic fabrication of 10%.
- Implied net investment totalled 64.5 Moz (2,006 t) last year. Much of the drive came from the launch in April of a silver ETF, plus a lesser contribution from net OTC buying. The motivation for buying in both arenas included strength in other commodities and dollar weakness. The 2006 implied figure was some 17% lower than in 2005, chiefly due to long liquidations on Comex.
- Hedging swung to the demand side in 2006, to the tune of 6.8 Moz (211 t), partly due to greater use of purchase agreements.

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Press Contacts: Philip Klapwijk or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: info@gfms.co.uk, web site: www.gfms.co.uk

