

THE SILVER INSTITUTE

A WORLDWIDE ASSOCIATION OF MINERS, REFINERS, FABRICATORS AND MANUFACTURERS

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Silver Market Outlook for 2002 Looks Brighter

After Global Economic Downturn Affects 2001 Silver Market

NEW YORK (May 23, 2002) – Silver fabrication demand should recover fairly strongly in 2002 as the world's economies pick up steam, according to the *World Silver Survey 2002*, released here today by The Silver Institute. The current rebound in global GDP growth is already starting to lead to higher demand for a wide range of silver-containing products. Over the rest of the year, the health of the electronics industry, in particular, will be an important factor.

Silver fabrication demand dipped 4.9 percent in 2001, principally due to a downturn in global GDP, the anemic performance of the electronics industry and the bursting of the “tech bubble.” The electronics sector was the key factor behind the decline in overall silver fabrication last year. This is not surprising given that world economic growth slumped to its lowest level since the early 1990s.

Industrial use of silver is the largest component of silver fabrication demand, with silver being used in a wide range of products. Electrical and electronics applications account for the largest area of industrial silver offtake, consuming nearly 133 million troy ounces (Moz) last year. Brazing alloys and solders are other important industrial uses of silver, taking up 36 Moz in 2001.

Jewelry and silverware fabrication demand escalated a solid 2.2 percent in 2001. Asia accounted for most of the global gains, with Indian offtake growing particularly strongly -- up nearly 22 percent. Thailand reported an 8 percent growth in offtake.

World Silver Supply and Demand (Million ounces) (Totals may not add due to rounding)		
	2000	2001
Supply		
Mine Production	581.2	590.0
Net Government Sales	78.1	85.7
Old Silver Scrap	179.2	184.2
Producer Hedging	-	20.4
Implied Net Disinvestment	97.7	-
Total Supply	936.3	880.3
Demand		
Fabrication		
Industrial Applications	377.1	338.5
Photography	219.5	210.2
Jewelry & Silverware	281.4	287.6
Coins and Medals	29.8	27.2
Total Fabrication	907.8	863.6
Net Government Purchases	-	-
Producer Hedging	28.5	-
Implied Net Investment	-	16.8
Total Demand	936.3	880.3

Demand for silver-bearing photographic products was 4 percent lower in 2001, in large measure from the slowdown in world economic growth, which impacted both consumer imaging and the graphic arts industry. Demand was higher, however, in the United Kingdom, Japan and China, the latter rising 30 percent last year. Radiography remains an important component of silver photographic demand, consuming 73 Moz, while consumer photographic demand accounted for 87 Moz last year.

Output of silver coins and medals were off by 9 percent in 2001, as a result of lower demand in the United States and Germany, the two largest silver coin-manufacturing countries. Gains were posted in Mexico, Spain, and China last year in this sector.

The 2002 edition of the *World Silver Survey* was independently researched and compiled by London-based Gold Fields Mineral Services Ltd., the precious metals research company. The Silver Institute has published this annual report on the global silver market since 1990, to bring reliable supply and demand statistics to market participants and the public at large.

Global silver supply fell 6 percent in 2001. The drop in global supply was recorded despite a modest 1.5-percent increase in mine production. The increase in 2001 mine production resulted from growth at a number of base metals operations, particularly in Peru and Chile, where silver is produced as a by-product. Of particular note, silver from primary mines generated 25 percent of total mined silver last year. Mexico again mined the most silver in 2001, followed by Peru, Australia, the United States and China.

As for 2002, the weak outlook for base metals prices generally, coupled with the implementation of numerous production cutbacks at zinc and copper operations, and reduced silver by-product from gold mines in 2001, suggest lower silver output from these sources in 2002, according to the *Survey*.

Another major story for silver in 2001 was that, for the third year in a row, the silver market had to absorb a very high level of government stock sales. Official sector sales were up 9.7 percent year-on-year, but still lower than levels recorded in 1999. Chinese government sales accounted for 75 percent of the world's total of official stock sales. The *Survey's* authors conclude that China does not have the capacity to supply indefinitely the market at the kind of levels seen in the last three years. Also, the United States Defense Logistics Agency transferred its remaining silver stockpile to the U.S. Mint for its coinage programs during the course of 2001. The U.S. Mint is now exploring legislative authority to purchase silver from the open market for its silver coinage programs.

Of note, for the first time in over a decade, there were virtually no net sales out of private-sector stocks, indicating some modest silver investment last year. This was the first time in over ten years that there was an increase in silver investment.

In 2001, the structural deficit between fabrication demand and conventional supply (mine production and recycled scrap) was 89.4 Moz. This gap was almost entirely filled by the net government stock sales.

While silver prices averaged \$4.37 per troy ounce in 2001, the metal ended the year on a much-brighter note, with silver fixing at \$4.52 on December 31, only 7 cents down from the year's first trading day. In 2002, the average COMEX closing spot price for silver is \$4.51 per ounce through May 17, 2002.

Founded in 1971, The Silver Institute is an international industry association. Its members include leading primary silver producers, the industry's premier refining companies, manufacturers, dealers and bullion banks.

World Silver Survey 2002 was sponsored by 18 companies and organizations from North and South America, Europe and Asia. These firms are involved in nearly every aspect of the global silver industry, from mining and refining to trading and manufacturing.

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Copies of *World Silver Survey 2002* are available to the media upon request, and may be purchased by the public for US\$175 from The Silver Institute, 1112 16th Street, NW, Suite 240, Washington, DC 20036, 202/835-0185; fax 202/835-0155, or from the Institute's website at www.silverinstitute.org. For copies outside North America, please contact Gold Fields Minerals Services at 44-(0) 20 7539-7820, or at www.gfms.co.uk. You can also e-mail your request to The Silver Institute at info@silverinstitute.org and Gold Fields Minerals Services at silver@gfms.co.uk.

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