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Continued Strong Silver Investment Demand Drove Annual Average Price to Second Highest on Record

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Jewelry Demand Remained Strong While Industrial Demand Eased Modestly

NEW YORK, NY—(Marketwired - Apr 24, 2013) - Robust global silver investor demand was the dominant driver of silver prices last year, accounting for almost a quarter of total silver demand. Averaging \$31.15 per ounce, 2012's price level was the second highest on record, behind the average reached in 2011. While last year was a volatile year for most precious metals, globally, silver investment rose to a total of 252.7 million troy ounces (Moz). That figure represents approximately \$8 billion on a net basis, substantially above the annual average of \$1.2 billion over the 2001-10 timeframe, according to World Silver Survey 2013, released here today by the Silver Institute.

Silver Investment

Investors remained significant net buyers of silver in 2012, as evidenced by the 21 percent increase in implied net silver investment (which includes physical bar investment, exchange traded funds and fund activity on Comex) to set an all-time high of 160.0 Moz. By comparison, in 2004, the level of implied net silver investment was 5.4 Moz.

Global silver ETF demand was robust, up by 55.1 Moz last year, hitting a historic high of 631.4 Moz. Total ETF holdings rose to a record \$18.9 billion at year-end, up 16 percent from the figure recorded at year-end 2011.

Buoyant investor interest was also seen in demand for coins & medals at 92.7 Moz in 2012, the third highest level ever recorded. Coin minting in China posted a strong increase, realizing a 47 percent gain over 2011.

Fabrication Demand

Total silver fabrication demand in 2012 dipped to 846.8 Moz, reflecting losses in key areas. Industrial silver fabrication slipped by 4 percent to 465.9 Moz, the result of the challenging economic environment seen in many industrialized countries. However, India recorded a 4 percent gain while China experienced a small increase in industrial demand.

Worldwide jewelry fabrication at 185.6 Moz remained effectively unchanged from 2011, thereby proving far more resilient than gold with its 4% decline. Growing consumption in India and China for silver jewelry offset softer western markets. Photographic demand for silver fell to 57.8 Moz, while the silverware sector slipped to 44.9 Moz due to ongoing structural factors and economic weakness.

Mine Supply and Costs

Global silver mine production grew last year to 787.0 Moz, primarily due to by-product output from the lead/zinc sector. Primary silver mine supply grew by 1 percent to account for 28 percent of global silver mine output. Mexico was the world's largest silver producing country in 2012, followed by China, Peru, Australia and Russia. Primary silver mine cash costs rose to \$8.88 an ounce, reflecting higher prices for labor, electricity, and maintenance charges.

Above-Ground Stocks

Supply of silver from above-ground stocks fell by 7.5 percent to 261.3 Moz in 2012, driven by a continued decline in government stock sales, a drop in scrap supply, and the absence of net-producer hedging. Producer de-hedging added 41.5 Moz to the demand equation in 2012. Government stock sales fell a staggering 39 percent to a 15-year low of 7.4 Moz. A continued decline in disposals from Russia and an absence of government stock sales from China and India were the primary factors. A drop in western supplies of recycled jewelry and silverware, combined with further falls from photographic sources, drove silver scrap supply down further by 1.6 percent to 253.9 Moz.

The 2013 edition of the World Silver Survey was independently researched and compiled by London-based Thomson Reuters GFMS, the leading 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.

For more information visit www.silverinstitute.org

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