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THE SILVER INSTITUTE

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Total Physical Silver Demand Achieves Record Level in 2013

Coin Demand Realizes New High Along With Strong Growth in Global Jewelry and Silverware Demand

(New York City – May 14, 2014) Total physical silver demand rose by 13 percent in 2013 to an all-time high, according to *World Silver Survey 2014*, released today by the Silver Institute. This was primarily driven by the 76 percent increase in retail investment in bars and coins coupled with a sturdy recovery in jewelry and silverware fabrication. On the supply side, silver scrap fell by 24 percent, experiencing the largest drop on record to reach its lowest level since 2001. The silver price averaged \$23.79 in 2013, the third highest nominal average price on record, in a particularly volatile year for the entire precious metals complex.

Silver Fabrication Demand

Total physical demand for silver stood at a record 1,081 million ounces (Moz) last year. The largest component of physical silver demand, industrial applications, dipped by less than 1 percent to 586.6 Moz, to account for 54 percent of total physical silver demand. Asia, however, experienced a 3 percent increase in silver industrial demand, led by China, where a continued recovery in the electrical and electronics sector, along with gains in the Chinese ethylene oxide industry, took total Asian industrial offtake to a new high. Japan also experienced gains in silver industrial demand.

Last year's recovery in jewelry fabrication was a reflection of the improved economic outlook in the industrialized world, which lifted consumer confidence and retail sales for a 10 percent increase in jewelry demand. Global silverware fabrication rose 12 percent to a three-year high,

due to strong gains in India and China, while photography demand slipped by 7 percent in 2013, posting the slowest percentage decline in nine years.

Silver Mine Supply and Costs

Silver mine production grew by 3.4 percent to reach 819 Moz. A large portion of the growth is attributable to the primary silver mining sector, which experienced strong growth from the start, along with the ramp-up of operations that entered production in recent years. Primary silver mine production grew 6 percent, and accounted for 29 percent of global silver mine supply. Mexico was the world's leading silver producer, followed by Peru, China, Australia and Russia. Primary silver mine cash costs stood at US\$9.27 an ounce, increasing 1 percent in dollar terms. The producer silver hedge book was aggressively reduced last year to stand at 15 Moz on a delta-adjusted basis.

World Silver Supply & Demand (million ounces)		
<i>(totals may not add due to rounding)</i>		
	2012	2013
Supply		
Mine Production	792.3	819.6
Net Government Sales	7.4	7.9
Scrap	252.6	191.8
Net Hedging Supply	-47.0	-41.3
Total Supply	1,005.3	978.1
Demand		
Jewelry	181.4	198.8
Coins & Bars	139.3	245.6
Silverware	44.6	50.0
Industrial Fabrication	589.1	586.6
...of which Electrical & Electronics	237.0	233.9
...of which Brazing Alloys & Solders	60.3	62.4
...of which Photography	54.4	50.4
...of which Other Industrial	237.4	240.0
Physical Demand	954.4	1,081.1
Physical Surplus/Deficit	51.0	-103.0
ETF Inventory Build	55.1	1.6
Exchange Inventory Build	62.2	8.8
Net Balance	-66.3	-113.3

Above-Ground Silver Stocks

Supply from above-ground stocks dropped by 23.2 percent to 199.7 Moz. Scrap supply to the market in 2013 experienced the largest year-on-year reduction since the 1980s and was due to a combination of softer silver prices and an exhaustion of "distressed" coin and jewelry recycling. As a proportion of total silver supply, scrap dropped to under 20 percent, after averaging 25 percent in total supply the previous two years, and this served as a substantial contributor to the physical market deficit posted in 2013. Government sales increased only slightly to 7.9 Moz, an extremely low level considering government disposals averaged 43 Moz per year from 2002-2011.

Silver Investment

Total identifiable investment demand, which includes physical bar investment, coins and exchange traded funds (ETF) inventories, rose by 27 percent to a three-year high at 247.2 Moz last year. The growth was driven principally by a strong rise in retail purchases of silver bars and coins. Demand for physical bullion bars more than doubled last year to reach a high of

127.2 Moz, while purchases of silver coins and medals rose 38 percent to a record 118.5 Moz. ETF holdings showed only modest growth in 2013.

About the *World Silver Survey*, the Silver Institute and Survey Ordering Information

The 2014 edition of the *World Silver Survey* was independently researched and compiled by the GFMS team at Thomson Reuters. 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 general public.

World Silver Survey 2014 was sponsored by 22 companies and organizations from North and South America, Europe and Asia. These firms are involved in most aspects of the global silver industry, from mining and refining to trading and manufacturing. Founded in 1971, the Silver Institute is an international industry association. Its members include leading silver producers, refiners, manufacturers and dealers.

Copies of *World Silver Survey 2014* are available to the media upon request and can be purchased for US\$225 from the Silver Institute, 1400 I Street NW, Suite 550, Washington, D.C., 20005; by phone at 202/835-0185; or from the Institute's web site www.silverinstitute.org.

For copies outside North America, please contact GFMS at Thomson Reuters via GFMS@thomsonreuters.com. You can also email your request to the Silver Institute at info@silverinstitute.org.

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