

Global Silver Demand Forecasted to Rise to 1.2 Billion Ounces in 2024

If Achieved, It Would Be Second Highest Level on Record

(Washington, D.C. – January 30, 2024) Global silver demand is forecast to reach 1.2 billion ounces in 2024, which, if achieved would be the second-highest level recorded. Stronger industrial offtake is a principal catalyst for the rising global demand for the white metal, and the sector should hit a new annual high this year.

For the short term, as an early start to U.S. interest rate cuts appears less likely, investment in much of the precious metals complex could be under pressure. Concerns about a slowing Chinese economy could also present a headwind to silver institutional investment. By contrast, the economic backdrop is expected to turn more favorable to silver investment in the second half of 2024, when the U.S. Fed is anticipated to begin cutting interest rates.

With that backdrop, the Silver Institute offers its thoughts on the 2024 silver market, noting that Metals Focus, the distinguished global precious metals research consultancy based in London, contributed to this analysis. The firm will research and produce the Silver Institute's annual report on the international silver market, *World Silver Survey 2024*, which will be released on April 17.

Silver Demand

Global silver demand is expected to rise 1 percent, pushed higher by the continued strength of industrial end-uses and a recovery in jewelry and silverware demand.

Silver industrial fabrication is forecast to post a 4 percent rise in 2024 to a record 690 million ounces (Moz), building on the all-time highs achieved last year. In line with the trend in recent years, the photovoltaics (P.V.) and automotive industries will remain key drivers of growth this year.

Taking each in turn, global P.V. installations significantly exceeded initial market expectations in 2023, with new capacity additions forecast to reach another record high this year. Silver offtake should also benefit from the technological breakthrough that has brought new, higher-efficiency N-type solar cells (with higher silver loadings) into mass production. In the automotive industry, greater use of electronic components and investment in battery charging infrastructure will continue supporting silver offtake.

After a challenging 2023, a projected recovery in consumer electronics will provide an additional lift to the silver industrial market. Despite uncertain economic conditions in some key markets, the deployment of AI-related applications has seen several consumer electronic brands prepare to introduce new products, which should favor silver.

Jewelry demand is expected to record a 6 percent rise, and India will contribute the bulk of gains this year. This follows a sharp pull back in 2022 when Indian demand weakened after a post-COVID surge in 2021. On top of a return to more "normal" levels, a positive economic backdrop and consumers getting used to high rupee silver prices should also underpin growth this year. In the U.S. and Europe, soft consumer sentiment may continue to weigh on jewelry consumption, but retailers' stock replenishment will likely mitigate the impact on fabrication. In line with the jewelry sector, as demand normalizes, a recovery in India will lift global silverware fabrication by 9 percent.

By contrast, silver physical investment is projected to decrease by 6 percent to a four-year low, with losses dominated by the U.S. Solid economic growth and further gains in the U.S. stock market will be key drivers behind this weaker investor interest across all precious metal coins and bars. In India and Europe, a modest recovery is expected this year, compared with a depressed 2023 total. In the former, as Indian investors become accustomed to high rupee prices, bargain hunting is expected on price dips. Even with a recovery, Europe's total volumes will remain near multi-year lows.

Silver Supply

Total global silver supply is forecast to grow by 3 percent in 2024 to an eight-year high of 1.02 billion ounces, entirely led by a recovery in mine output.

Silver mine production in 2024 is projected to rise 4 percent to 843 Moz, the highest level since 2018. This growth is, to a large extent, reliant on undisrupted operations at Newmont's Peñasquito gold mine in Mexico, the commissioning of Polymetal's

Prognostic silver mine in Russia, the start-up of Gold Field's Salares Norte gold mine in Chile, and the continued ramp-up of operations at Coeur's Rochester expansion project in the U.S.

By-product silver output from base metal mines is forecast to decrease as community and government disputes led to some mine closures in 2023, particularly in South America. Furthermore, there is an impending risk to silver output from zinc mines that may continue to face mine suspensions due to weak zinc prices.

In contrast, silver recycling is expected to edge lower, with volumes likely to drop by 3 percent to a three-year low. Lower jewelry and silverware scrap supply will account for most of this year's losses. Photographic scrap is also expected to weaken due to structural factors, leaving industrial recycling the only area anticipated to record modestly higher volumes.

The silver market is forecast to remain in a deficit (total supply less demand) in 2024, marking the fourth consecutive year of a structural market deficit. Although this year's deficit is expected to ease by 9 percent to 176 Moz (194 Moz in 2023), it will still be exceptionally high by historical standards.

Silver Investment

Early 2024 has seen financial markets scale back their expectations of U.S. rate cuts, with many investors having believed this would start as soon as March. The consequential boost to the U.S. dollar and yields has created fresh headwinds to precious metal investment.

Even so, market expectations of U.S. interest rate cuts are still a little more dovish compared with the Fed's more hawkish position. In the coming months, as the market gradually adopts a more hawkish stance, this will weigh on gold and silver investment. During this time, investor interest in silver could also be hampered by a still lackluster recovery in China.

Nonetheless, this weaker investment is likely to be temporary, and silver's positive fundamentals should encourage decent bargain hunting. Once the Fed starts to cut rates, most likely in mid-2024, silver investment should begin to recover.

More importantly, with inflation on course to retreat towards the U.S. authorities' official long-term target, the Fed is expected to signal further and accelerated easing next year. The impact of falling real yields and pressure on the U.S. dollar should also favor fresh silver and gold investment.

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The Silver Institute is the silver industry's primary voice in expanding public awareness of silver's essential role in today's world. Its mandates are to provide the global market with reliable statistics and information on silver and create and execute programs that help drive demand for silver. For more information on silver, including its important and growing use in the green economy, please visit www.silverinstitute.org.

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