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Release of Thomson Reuters Interim Silver Market Review

Silver to Switch to Small Surplus on Softer Fundamentals

(November 15, 2017 – New York City) At the Annual Silver Industry Dinner hosted by the Silver Institute, Johann Wiebe, Lead Analyst in the GFMS team at Thomson Reuters presented the GFMS / Silver Institute Interim Silver Market Review, which includes provisional supply and demand forecasts for 2017. The following are highlights from the report.

- The silver market is expected to switch to a small annual physical surplus of 32.2 Moz in 2017, after posting annual physical shortfalls for four consecutive years. Net inflows into ETP holdings are expected to reach 14.9 Moz this year while we are likely to see a 18.5 Moz drop in the global exchange inventory build on a year-to-date basis. This should take the net balance to 35.8 Moz.
- The silver price has averaged \$17.13/oz so far this year (as of 10th November), compared to \$17.23/oz seen over the same period last year. For the year as a whole the GFMS team at Thomson Reuters forecasts the silver price to average \$17.13/oz, marginally lower than the 2016 annual average of \$17.14/oz.
- Total silver supply is forecast to remain broadly flat in 2017, standing at 1,008.4 Moz, as slightly higher scrap supply and a drop in net de-hedging are expected to offset lower mine production. Global mine output is set to reach 869.7 Moz this year, representing a year-on-year drop of 2%, reflecting lower production levels in the first half of the year, with steep declines in Chile and Australia. That said, 2017 global production level is forecast at just 3% below the 2015 record level.
- Following five consecutive years of declines, global scrap supply is forecast to slightly rise this year to 141.6 Moz, up just 1% year-on-year, driven largely by higher Asia flows. This is due partly to firmer industrial fabrication demand which generated higher volumes of fabrication waste.
- Total physical demand is forecast to drop by 5% in 2017, to a total of 976.1 Moz, led by a sharp fall in retail investment, although an upturn in silverware demand, and a modest recovery in jewelry and industrial fabrication should help to offset some of that decline. Silver coin & bar demand is forecast to drop by a hefty 37% year-on-year, led by a sharp decline in North America on the back of a rising appetite for riskier assets and growing optimism about the global economic outlook. Investment demand in China was also weaker this year, dragged lower by sizeable contraction in coin offtake as funds were reallocated to risk-on assets, with the strength of the equities market in particular largely responsible for the fall.
- Jewelry fabrication is expected to recover slightly, to hit 207.1 Moz, up by 1% year-on-year. Asian demand has eased, largely due to lower offtake in China, although this has been partly offset by stronger demand in India. North American jewelry demand is expected to rebound this year, thanks to improving economic sentiment. Meanwhile, silverware fabrication is rebounding in 2017, and forecast to rise by 10% year-on-year to 57.5 Moz. The increase is led by a strong uptick in Indian fabrication demand, which should hit a two-year high of 38.2 Moz, helped by a good monsoon in the previous year.
- Following a modest year-on-year decline in 2016, industrial fabrication is forecast to rise by 3% this year, to a total of 581.4 Moz, led by strong gains in the solar industry and modest increases in demand from electronics and brazing alloys & solders. Global silver demand from the solar industry is forecast to increase by 20% in 2017, to almost 92 Moz. Worldwide solar cell production increased to 96,460 megawatts (MW), driven largely by a strong rise in solar cell production in China, up by 27% year-on-year to 71,400 MW, following a 37% year-on-year increase the previous year. Solar panel installations in China jumped up by more than 50% compared with 2016, boosted by subsidy policies implemented by regional governments.

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The below table is a reduced form of the full "World Silver Supply and Demand" table featured in the **World Silver Surveys**:

WORLD SILVER SUPPLY AND DEMAND

(million ounces)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017f
Supply										
Mine Production	684.7	717.3	753.0	758.3	791.7	823.7	868.6	893.9	885.7	869.7
Other	222.5	198.8	321.8	285.4	214.1	164.1	182.2	148.9	121.3	138.6
Total Supply	907.2	916.1	1,074.8	1,043.8	1,005.8	987.8	1,050.7	1,042.8	1,007.0	1,008.4
Demand										
Jewelry & Silverware	236.0	230.1	241.6	238.7	231.1	279.9	287.6	290.2	257.9	264.6
Coins & Bars	196.6	92.9	147.6	210.7	157.2	239.8	233.2	290.8	205.6	130.1
Industrial Fabrication	641.9	528.2	633.8	661.5	600.1	604.6	596.3	569.9	562.4	581.4
Physical Demand	1,074.6	851.1	1,023.1	1,110.8	988.4	1,124.2	1,117.2	1,150.8	1,025.9	976.1
Physical Surplus/Deficit	-167.4	65.0	51.8	-67.1	17.4	-136.4	-66.4	-108.0	-18.9	32.2
ETP Inventory Build*	101.3	156.9	130.6	-23.0	54.8	3.0	2.0	-17.8	49.9	14.9
Exchange Inventory Build*	-7.1	-15.3	-7.4	12.2	62.2	8.8	-5.3	12.6	79.8	-18.5
Net Balance	-261.5	-76.6	-71.4	-56.2	-99.6	-148.2	-63.2	-102.8	-148.6	35.8
Silver Price, \$ per oz.	14.99	14.67	20.19	35.12	31.15	23.79	19.08	15.68	17.14	17.13

*2017 through 31st October

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