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Price of silver tipped to test high

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The price of silver could this year test the 17-year high reached in 2004 as industrial demand increases from the lows of last year, according to GFMS, the precious metals consultancy.

The comments by Philip Klapwijk, executive chairman, came as The Silver Institute released its annual report on the industry.

Mr Klapwijk expects silver to trade near the \$8.29 a troy ounce reached in April 2004, a level previously seen in 1987, provided there is a gold rally later in the year. Gold has a large influence on the price of silver, which was yesterday trading at about \$7 a troy ounce.

Last month, Mr Klapwijk predicted gold could trade as high as \$500 a troy ounce by year-end. However, the price has fallen 4 per cent since this prediction following a rally in the US dollar.

“The rise we have seen in the dollar may affect the final outcome of silver prices, but there is still a possibility we could see prices return to last year’s levels,” Mr Klapwijk told the Financial Times.

The World Silver Survey 2005 says silver prices averaged \$6.66 a troy ounce in calendar 2004, a rise of 36 per cent year-on-year. The price gain was driven mainly by investment from funds and high net-worth individuals.

It says investment accounted for 42.5m ounces of silver, a fivefold increase on the previous year. However, investment still only represented less than 5 per cent of total silver demand.

The report shows total demand for silver fabrication fell by 2 per cent last year to its lowest level in six years at 836.7m ounces.

Mr Klapwijk said this was mainly due to a drop in demand in India, where the higher silver price damped demand for jewellery.