



Silver Investment the Dominant Driver of a Remarkable 2010

Silver Price Rises 78 Percent Intra-Year

Industrial Demand for Silver Posts a 20.7 Percent Increase Over 2009

(NEW YORK – April 7, 2011) Booming silver investment was the primary source of the astounding 78 percent intra-year increase in silver prices in 2010. A sturdy rebound in total fabrication demand, led by the industrial sector, was also significant, according to World Silver Survey 2011, released today by the Silver Institute.

Silver Price and Investment

Silver posted an average price of \$20.19 in 2010, a level only surpassed in 1980, and a marked increase over the \$14.67 average price in 2009. This buoyancy is very much alive today, with the 2011 price averaging \$31.86, based on the London fix, through the end of the first quarter.

World investment rose by an impressive 40 percent last year to 279.3 million troy ounces (Moz), resulting in a net flow into silver of \$5.6 billion, almost doubling 2009's figure.

Exchange traded funds (ETFs) registered another sterling performance in 2010, with global ETF holdings reaching an impressive 582.6 Moz, representing an increase of 114.9 Moz over the total in 2009. The iShares Silver Trust accounted for almost 40 percent of the increase, with other notable gains achieved by Zürcher Kantonalbank, ETF Securities, and the Sprott Physical Silver Trust.

A significant boost in retail silver investment demand paved the way for higher investment in both physical bullion bars and in coins and medals in 2010. Physical bullion bars accounted for 55.6 Moz of the world investment total last year. Coins and medals fabrication rose by 28 percent to post a new record of 101.3 Moz. In the United States, over 34.6 million U.S. Silver Eagle coins were minted, smashing the previous record set in 2009 at almost 29 million. Other key silver bullion coins reaching milestones include the Australian Kookaburra, the Austrian Philharmoniker, and the Canadian Maple Leaf—all three posting record highs in 2010.

Increasing a hefty 47 percent last year to 178.0 Moz, implied net silver investment recorded its all-time high. Much of the increase was due to ETFs, the over-the-counter market, and investment in physical bars.

Fabrication Demand

Total fabrication demand grew by 12.8 percent to a 10-year high of 878.8 Moz in 2010; this surge was led by the industrial demand category. Last year, silver's use in industrial applications grew by 20.7 percent to 487.4 Moz, nearly recovering all the recession-induced losses in 2009, and is now seeing pronounced advances in 2011. Jewelry posted a gain of 5.1 percent, the first substantial rise since 2003, primarily due to strong GDP gains in emerging markets and the industrialized world's improving economic picture. Photography fell by 6.6 Moz, realizing its smallest loss in nine years, as medical centers deferred conversion to digital systems. Silverware demand fell to 50.3 Moz from 58.2 Moz in 2009, essentially due to lower demand in India.

Mine Supply and Costs, Above-Ground Stocks, Scrap Supply, Producer Hedging and Government Sales

Silver mine production rose by 2.5 percent to 735.9 Moz in 2010 aided by new projects in Mexico and Argentina. Gains came from primary silver mines and as a by-product of lead/zinc mining activity, whereas silver volumes produced as a by-product of gold fell 4 percent last year. Mexico eclipsed Peru as the world's largest silver producing country in 2010, and Peru is followed by China, Australia and Chile. Global primary silver supply recorded a 5 percent increase to account for 30 percent of total mine production in 2010.

Primary silver mine cash costs remained relatively flat year-on-year, falling by less than 1 percent to \$5.27/oz. from a revised \$5.29/oz. in 2009.

Net silver supply from above-ground stocks increased to 142.9 Moz in 2010, primarily due to higher scrap supply, a shift of net-producer hedging to the supply side, and a considerable rise in net-government stock sales. Regarding scrap supply, 2010 witnessed a 14 percent increase over 2009 as gains in industrial and jewelry recycling exceeded an ongoing decline in recovery from photographic sources.

The swing to net-producer hedging of 61.1 Moz ended a four-year run of de-hedging and is attributed to higher silver prices and was limited to a group of by-product, rather than primary silver producers.

Net government sales of silver rose to 44.8 Moz, primarily the result of increased sales from Russia, with China and India remaining relatively silent for the second consecutive year.

World Silver Supply and Demand (million ounces)
(totals may not add due to rounding)

Supply

	2009	2010
Mine Production	718.3	735.9
Net Government Sales	15.5	44.8
Old Silver Scrap	188.4	215
Producer Hedging	-	61.1
Implied Net Disinvestment	-	-
Total Supply	922.2	1056.8

Demand

	2009	2010
Fabrication		
Industrial Applications	403.8	487.4
Photography	79.3	72.7
Jewelry	158.9	167
Silverware	58.2	50.3
Coins & Medals	79	101.3
Total Fabrication	779.2	878.8
Producer De-hedging	22.3	-

Implied Net Investment	120.7	178
Total Demand	922.2	1056.8

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

The 2011 edition of the *World Silver Survey* was independently researched and compiled by London-based GFMS Limited, 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.

World Silver Survey 2011 was sponsored by 20 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 2011* are available to the media upon request and can be purchased for US\$225 from the Silver Institute, 888 16th Street, Suite 303, Washington, DC 20006, tel +1 202/835-0185; fax +1 202/835-0155, or from the Institute's web site www.silverinstitute.org. For copies outside North America, please contact GFMS by tel +44 (0) 20 7478-1750; fax +44 (0) 20 7478-1779, or via the web at www.gfms.co.uk. You can also email your request to the Silver Institute at info@silverinstitute.org and GFMS at info@gfms.co.uk.

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