

MEDIA ADVISORY

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Release of Refinitiv Interim Silver Market Review

Silver Industrial Demand Remains Strong – Surplus Expected for 2018

(November 15, 2018 – New York City) At the Annual Silver Industry Dinner hosted by the Silver Institute, Johann Wiebe, Lead Analyst in the GFMS team at Refinitiv presented the GFMS / Silver Institute Interim Silver Market Review, which includes provisional supply and demand forecasts for 2018. The following are highlights from the report.

- The silver market is expected to experience a physical surplus of 35.3 Moz which is substantially higher than the previous year. Net holdings of ETPs have contracted 0.5 Moz to-date, following seven annual increases in the last decade. On the other hand, exchange inventories have increased for the third consecutive year in 2018, particularly on COMEX which represents approximately 76% of total, rising by 52.5 Moz. As such, the net balance is expected to post a shortfall of 16.7 Moz.
- The silver price has averaged \$15.89/oz so far this year (as of 10th November), which is 7% lower compared to an average \$17.05/oz last year. For the year as a whole the GFMS team at Refinitiv forecasts the silver price to average \$15.73/oz.
- Following a drop of 1.5% in 2017, total silver supply is forecast to marginally rise again by 0.3% to 998.4 Moz. The increase is solely driven by mine supply returning to growth this year, rising 1.6% following declines in output recorded in the prior two years. At 5.4 Moz, North America is forecast to shed the largest portion of supply which is offset by gains recorded in Oceania, Asia and Africa. Scrap supply is likely to nudge down 1% in 2018 but broadly speaking, due to its high price elasticity, has remained stable since 2015.
- Global physical demand is expected to contract by 3.0% to 963.0 Moz this year; a third consecutive decline. Bar and coin demand will be the main driver behind the fall contracting another 12.2% to 124.8 Moz in 2018. New physical coin demand has remained under pressure this year, particularly in the United States during the first half of the year, as investors relied on the secondary market with older dated coins for their investment needs. Physical bar and coin demand in other regions has also been disappointing this year, contracting mainly in the single digits as investors remained on the sidelines awaiting higher price volatility.
- Demand for jewelry and silverware is forecast to fall 0.6% to 252.9 Moz. The drop is mainly a reflection of soft demand in India and China. In the case of the former, the disappointing monsoon season did not result in the expected increase in jewelry purchases whereas for the latter a generally weakening economic climate is hampering further purchases. The decline in Thai jewelry fabrication has slowed this year with continued strong demand from the United States.
- For the use of silver in a wide range of industrial applications, accounting for approximately 60% of total silver demand in 2018, we foresee on balance a modest decline this year of 1.8% reaching 585.4 Moz. Demand for silver used in the photovoltaic sector contracted on the back of an increasingly more challenging global environment. This has been particularly driven by government interventions at the two largest economies of the world. Despite imposed import restrictions by President Trump it is particularly changes in China that are setting the tone for slower growth. The Chinese government introduced legislation to reduce solar subsidies in order to slow growth after new installations significantly exceeded its 13th five year plan budget. Although the decline has slowed, silver used in the photography sector continued to contract by 3.4% reaching 39.5 Moz. Demand for electronic and electrical applications, however, continued to drive robust growth, potentially expanding by 2.8% to 249.6 Moz this year. A general rise in electrical equipment has risen the need for silver coated circuitry, wires and switches from a variety of end-uses. Following the increased electrification of powertrains, the automotive sector is taking a lead in this development.

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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)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018f
Supply										
Mine Production	717.3	753.0	758.3	791.7	823.3	867.8	895.1	888.6	852.1	865.5
Other	198.8	321.8	285.4	214.1	164.3	182.3	149.0	122.0	143.1	132.9
Total Supply	916.1	1074.8	1043.8	1005.8	987.6	1050.1	1044.1	1010.6	995.2	998.4
Demand										
Jewellery & Silverware	230.1	241.8	238.9	231.2	279.7	282.6	280.7	249.4	254.4	252.9
Coins & Bars	94.9	150.3	211.5	161.0	241.1	234.1	291.7	207.4	142.1	124.8
Industrial Fabrication	528.2	633.8	661.5	600.1	604.6	596.3	582.6	576.3	596.3	585.4
Physical Demand	853.1	1026.0	1112.0	992.2	1125.4	1113.1	1155.1	1033.1	992.8	963.0
Physical Surplus/Deficit	63.0	48.9	-68.2	13.6	-137.7	-63.0	-111.0	-22.5	2.4	35.3
ETF Inventory Build*	156.9	129.5	-24.0	55.3	2.5	1.4	-17.8	49.8	2.4	-0.5
Exchange Inventory Build*	-15.3	-7.4	12.2	62.2	8.8	-5.3	12.6	79.8	51.5	52.5
Net Balance	-78.6	-73.2	-56.4	-103.9	-149.0	-59.1	-105.8	-152.1	-51.5	-16.7
Silver Price, \$ per oz. **	14.67	20.19	35.12	31.15	23.79	19.08	15.68	17.14	17.05	15.73

* 2018 through 30th September; ** up to 13th November 2018
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PRESS CONTACT:

Michael DiRienzo

The Silver Institute

Phone: +1.202.495.4030

Email: mdirienzo@silverinstitute.org

Johann Wiebe

GFMS, Refinitiv

Phone: +1.312.408.8761

Email: johann.wiebe@refinitiv.com