

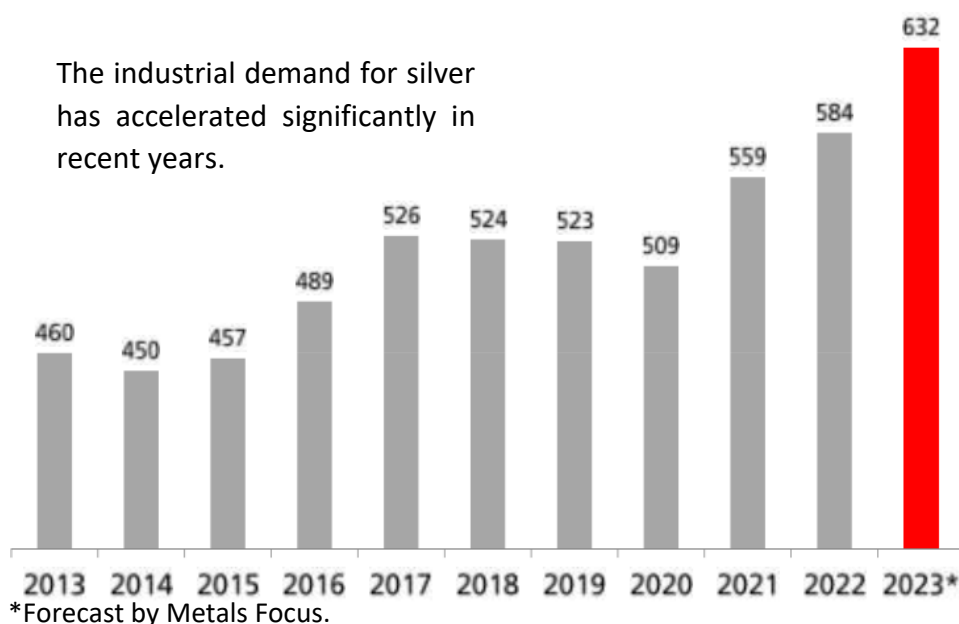
2024

Silver: Persistent Deficit Is the Breakout Coming in 2024?

Will there be an upward turn for Silver ETFs in 2024?

Silver is racing from record to record, at least in terms of industrial demand. Despite the weakness in the global economy, the industry consumed eight percent more silver in 2023 than in 2022, according to the forecast of renowned experts at Metals Focus. The main reason for this is the substantial investments in the "green economy." Silver is required for photovoltaics, the electrification of the economy, 5G networks, and also for electric mobility – and demand is rising everywhere. For example, China is far ahead of its own schedule in expanding solar power capacities.

Industry demand (in million ounces)

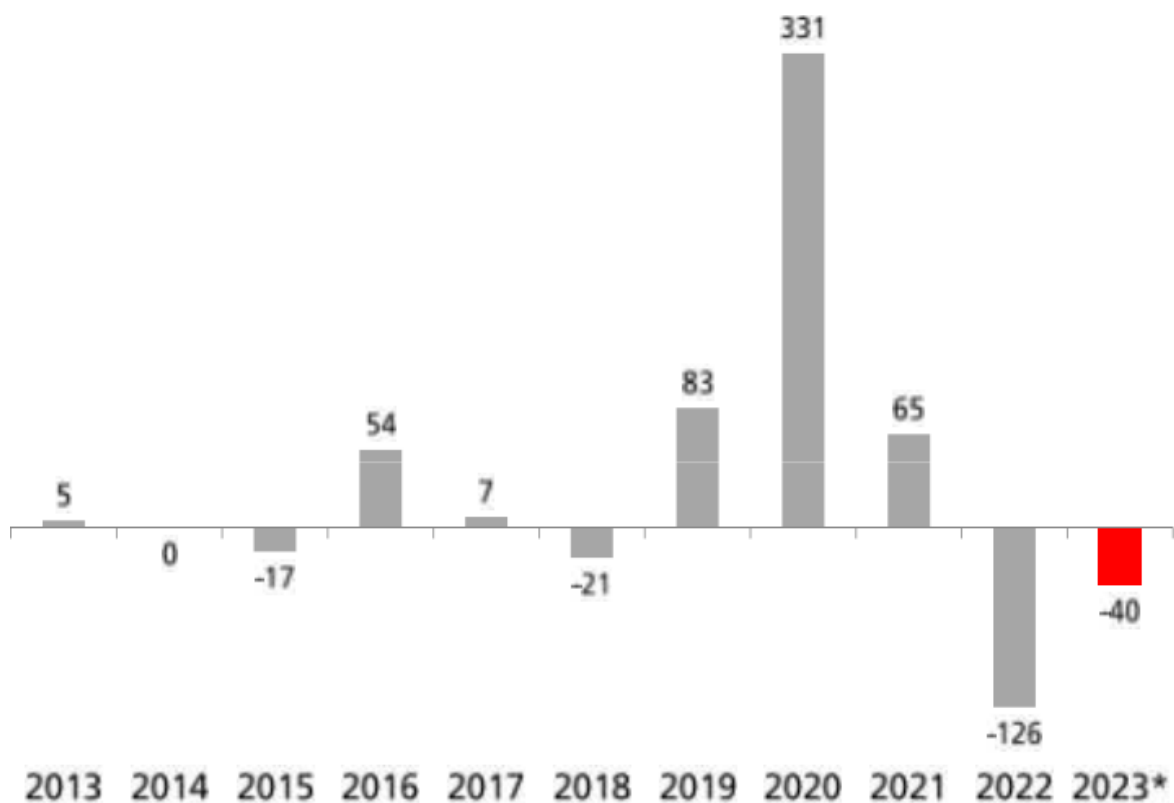


Annual Outlook: Silver

Financial Investors Also Held Back in 2023

The strong industrial demand for silver contributed to the stabilization of the silver price, but not much more. Demand has decreased in other areas, particularly in the jewelry industry and for bars & coins. In India, especially, the demand for silver plummeted significantly in 2023, with record-high local prices being the main reason – India traditionally being one of the largest consumers of both silver and gold. There were also outflows from silver ETFs, meaning that financial investors withdrew funds from physically backed silver funds. 2023 marked the second consecutive year of outflows, although they were significantly lower than in 2022. Towards the end of the year, outflows decreased significantly, likely due to the expectation of an interest rate turnaround in 2024. Similar to gold, the popularity of silver among investors suffers when interest rates and bond yields are high.

Inflows and outflows of silver ETFs (in million ounces)

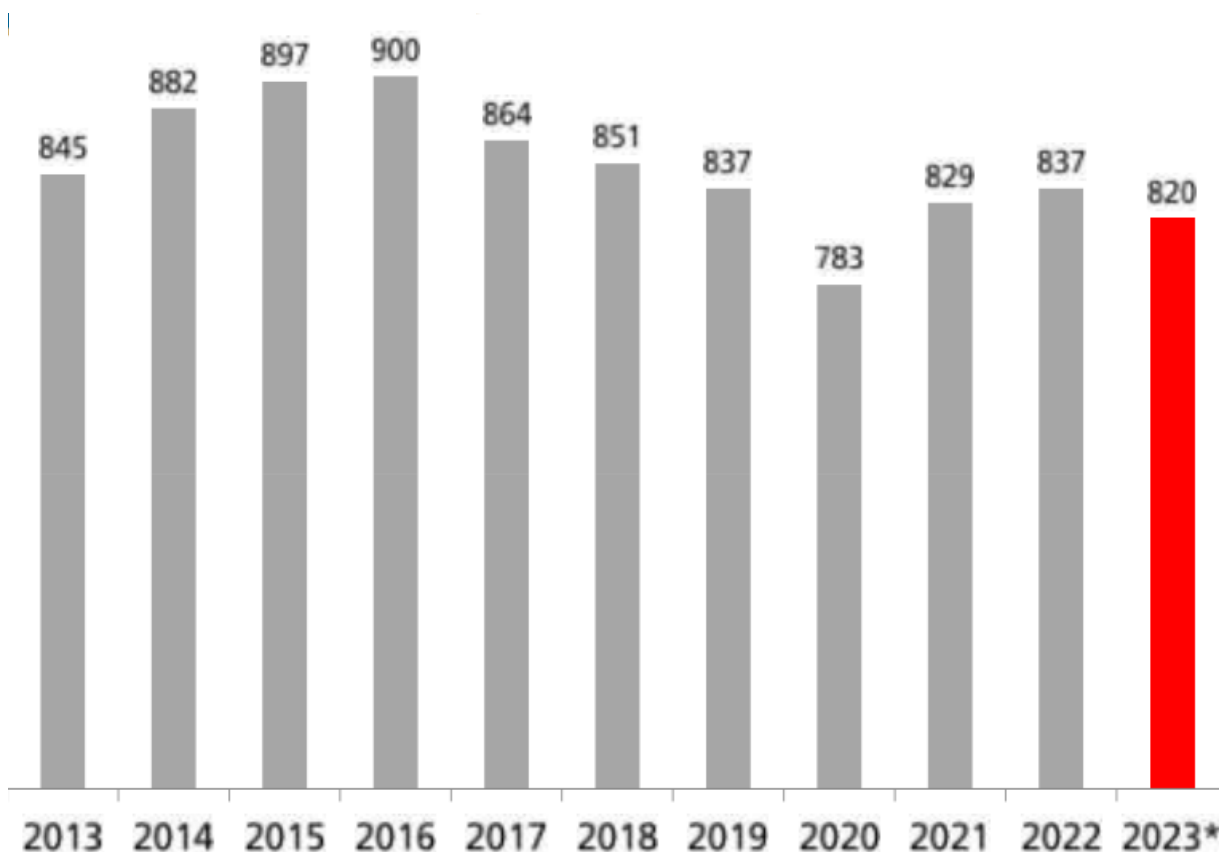


*Forecast by Metals Focus.

Rising Costs Hinder Mining Production

Although the overall silver demand in 2023 was slightly lower than the previous year, it still represented the second-highest value ever recorded. However, the development in supply has not kept pace for several years, with mining production, in particular, stagnating, as shown in the graphic below. One reason for this is the substantial increase in production costs (AISC), which is expected to be in the double digits in 2023. Expanding production is only worthwhile at a higher silver price. Additionally, there are strikes in the mines and issues with environmental regulations. The consistently high demand and simultaneously stagnant supply for years have led to the silver market recording a physical supply deficit for the third consecutive year in 2023. Outflows from ETFs have somewhat mitigated the deficit but have not completely eliminated it. Experts from Metals Focus believe that the supply deficit will persist in the foreseeable future due to the increasing silver demand in future industries and the restrained development of supply. We agree with this assessment.

Mining production (in million ounces)



*Forecast by Metals Focus.

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My Conclusion

The rising demand from the solar industry has contributed to silver resisting the selling pressure built up by rising interest rates and a weak global economy in 2023. If the expected interest rate turnaround occurs, silver will become more attractive to financial investors again. The supply deficit in the silver market is expected to increase further in 2024. This market situation will eventually drive the silver price upwards.

Silver in USD (10 years)



Positive and negative influences on the silver price in 2024

Positive	Negative
Financial investors are rediscovering silver, and ETF demand is rising significantly.	Supply increases more than expected due to higher production and more recycling.
The demand from crucial future industries for silver continues to increase strongly.	Silver demand, for example, from India, remains subdued due to the high price.
The global economy proves more robust than expected, and silver demand remains high.	