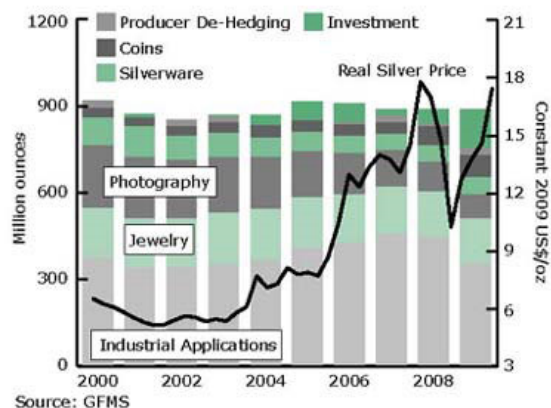


Demand and Supply in 2009

Demand

The bulk of the 11.9 percent decrease in 2009's total fabrication demand was primarily driven by the global financial crises, reflected mostly in a sharp drop in industrial offtake, to its lowest level since 2003. Total fabrication demand totaled 729.8 Moz and industrial demand posted 352.2 Moz in consumption.

World Silver Demand



Significant inventory cuts in the industrial supply pipeline, combined with a protracted decline in end-user orders, for example from a far weaker automotive industry, were the primary reason for lower industrial demand last year. While demand was noticeably weaker in the first quarter of 2009, it gradually improved as the year progressed. Overall, the losses were concentrated in East Asia, North America and Europe.

Implied net silver investment increased by a staggering 184 percent to 136.9 Moz last year, recording its highest level in the past 20 years. While overall jewelry demand dipped slightly by only 1.1 percent in 2009 to 156.6 Moz, India and China posted increases in jewelry demand last year, offsetting losses in most other markets. Silverware demand reversed the trend of the last decade rising by a respectable 4.6 percent to 59.5 Moz, largely due to a surge in Indian fabrication.

Supply

Silver mine production rose by 4 percent to 709.6 Moz in 2009. Gains came both from primary silver mines and as a by-product of gold mining. Regionally, the strongest growth stemmed from Latin America, where silver output increased by 8 percent, with the most visible gains recorded in Argentina and Bolivia. Peru was the world's largest silver producing country in 2009, followed by Mexico, China, Australia and Bolivia. All of these countries saw increases last year except for Australia, where output from the lead/zinc sector declined markedly. Global primary silver supply recorded a 7 percent increase to account for 30 percent of total mine production in 2009.

Top 20 Silver Producing Countries in 2009 (millions of ounces)		
1.	Peru	123.9
2.	Mexico	104.7
3.	China	89.1
4.	Australia	52.6
5.	Bolivia	42.6
6.	Russia	42.2
7.	Chile	41.8
8.	United States	39.8
9.	Poland	39.2
10.	Kazakhstan	21.7
11.	Canada	19.6
12.	Argentina	17.1
13.	Turkey	14.0
14.	Sweden	8.7
15.	Morocco	8.3
16.	Indonesia	7.7
17.	India	7.3
18.	Guatemala	4.2
19.	Iran	3.5
20.	South Africa	2.6

Primary silver mine cash costs remained relatively stable year-on-year, rising by less than 1 percent to \$5.23/oz.

Net silver supply from above-ground stocks dropped by 86 percent to 20.2 Moz in 2009, driven mostly by the surge in net investment, higher de-hedging, lower government

sales and a drop in scrap supply. With respect to scrap supply, 2009 saw a 6 percent decrease over 2008's figure to a 13-year low of 165.7 Moz. This represented the third consecutive year of losses in the scrap category.

Government stocks of silver are estimated to have fallen by 13.7 Moz over the course of last year, to reach their lowest levels in more than a decade. Russia again accounted for the bulk of government sales, with China and India essentially absent from the market in 2009. Regarding China, GFMS states that after years of heavy sales, its silver stocks have been reduced significantly.

Supply from Above-Ground Stocks		
(Million ounces)	2008	2009
Bullion		
<i>Implied Net Disinvestment</i>	-48.2	-136.9
<i>Net Producer Hedging</i>	-11.6	-22.3
<i>Net Government Sales</i>	27.6	13.7
Sub-total Bullion	-32.1	-145.5
Old Silver Scrap	176.0	165.7
Total	143.9	20.2

World Silver Supply and Demand

To document these and other market fundamentals, each year the Silver Institute works with **GFMS Limited**, of London, a leading research company, to prepare and publish an annual report of worldwide silver supply and demand trends, with special emphasis on key markets and regions. This annual survey also includes current information on prices and leasing rates, mine production, investment and fabrication.

To learn more about the general production and uses of silver, please see our **Production** and **Uses** pages. For articles related to supply and demand, see the **Silver News** archives.

World Silver Supply and Demand (in millions of ounces)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Supply										
Mine Production	591.0	606.2	593.9	596.6	613.0	636.8	640.9	664.4	684.7	709.6
Net Government Sales	60.3	63.0	59.2	88.7	61.9	65.9	78.2	42.5	27.6	13.7
Old Silver Scrap	180.7	182.7	187.5	183.9	183.7	186.0	188.0	181.8	176.0	165.7
Producer Hedging	--	18.9	--	--	9.6	27.6	--	--	--	--
Implied Net Disinvestment	87.1	--	12.6	--	--	--	--	--	--	--
Total Supply	919.1	870.9	853.1	869.3	868.2	916.3	907.2	888.7	888.3	889.0
Demand										
Fabrication										
Industrial Applications	374.2	335.6	340.1	350.8	367.6	407.0	427.0	456.1	443.4	352.2
Photography	218.3	213.1	204.3	192.9	178.8	160.3	142.4	124.8	104.9	82.9
Jewelry	170.6	174.3	168.9	179.2	174.8	173.8	166.3	163.5	158.3	156.6
Silverware	96.4	106.1	83.5	83.9	67.2	67.5	61.0	58.4	56.9	59.5
Coins & Medals	32.1	30.5	31.6	35.7	42.4	40.0	39.8	39.7	65.2	78.7
Total Fabrication	891.7	859.4	828.3	842.4	830.8	848.7	836.4	842.5	828.6	729.8
Producer De-Hedging	27.4	--	24.8	20.9	--	--	6.8	24.2	11.6	22.3
Implied Net Investment	--	11.4	--	6.0	37.4	67.6	64.0	22.0	48.2	136.9
Total Demand	919.1	870.9	853.1	869.3	868.2	916.3	907.2	888.7	888.3	889.0
Silver Price (London US\$/oz)	4.953	4.370	4.599	4.879	6.658	7.312	11.549	13.384	14.989	14.674
<i>SOURCE: World Silver Survey 2010</i>										