Market Insight

Silver outlook to Q3 2025: Silver marching toward a 14-year high

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Silver has been the best-performing metal this year – outperforming every base, ferrous or precious metal. Year-to-date, the metal is up 43%, outshining gold by a good 10%[1]. The metal has caught multiple tailwinds:

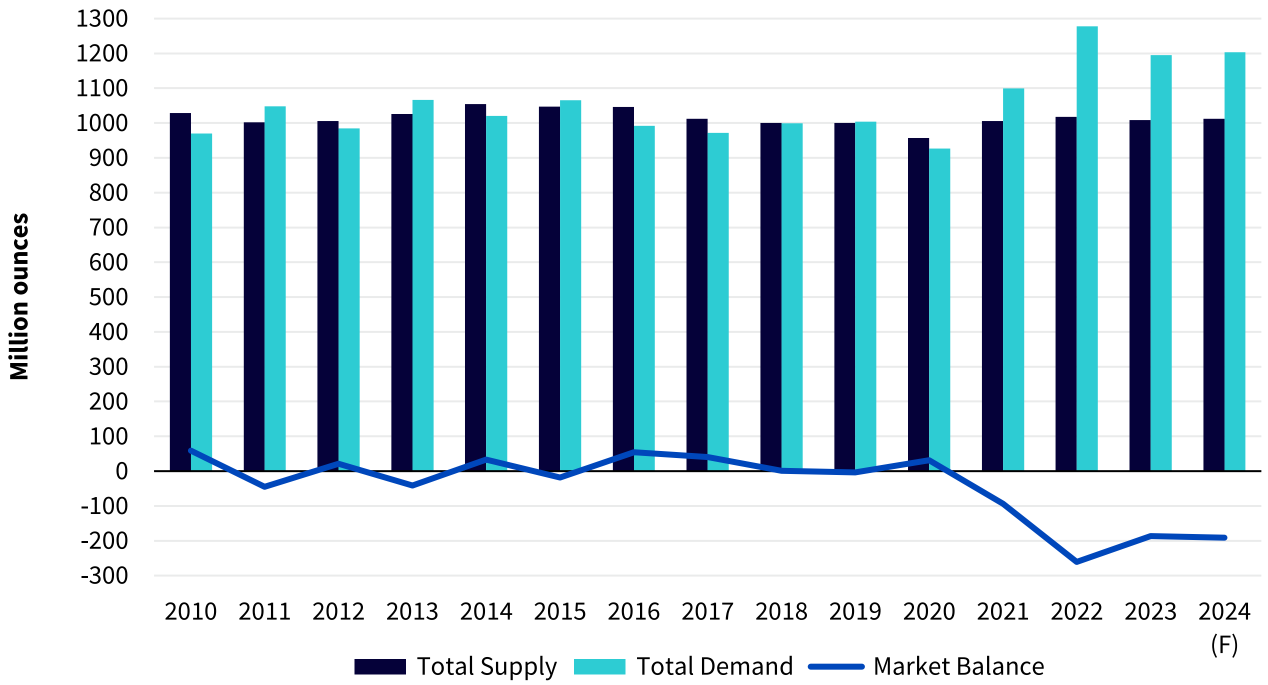
1. Silver has a strong correlation with gold, which has rallied to new all-time highs. Geopolitical risks, combined with a looser monetary policy setting, have driven the rally.
2. Silver demand in industrial applications, primarily photovoltaics, is rising strongly. China's policy push for an energy transition is not losing steam, propelling solar panel demand. The latest photovoltaic technologies use more silver than older technologies.
3. Most silver mining is a byproduct of mining for other metals. Mining activity for the primary metals for which silver is a byproduct has decelerated in the past year.
4. Positive demand and constrained supply point to another year of supply deficit in 2024.

We believe silver will have further upside and continue to outpace gold. Our forecasts point to a silver price of $40/oz by Q3 2025, a 17% increase from end-October 2024 levels (compared to a 9% increase for gold over the same time).

Deficit persists

Silver has been in a supply deficit every year since 2021, and we expect demand to outstrip supply by a similar magnitude in 2024 as in 2023.

Figure 1: Silver supply and demand



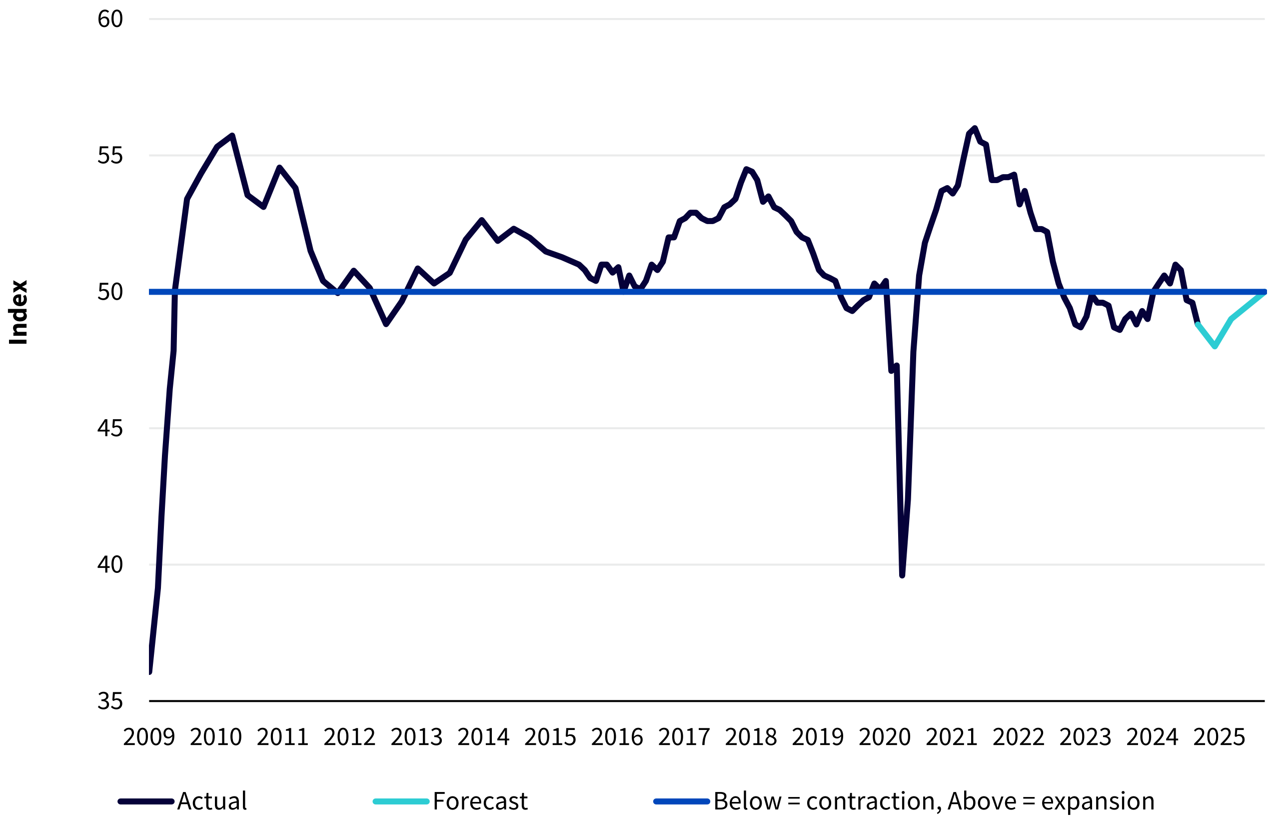
Source: Metals Focus, WisdomTree. July 2024. (F) = Forecasts. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties**

1. Source: Bloomberg, 30 October 2024

Silver defying global manufacturing slowdown

Global manufacturing activity has been slowing, primarily led by Europe and China. Global manufacturing purchasing managers indices (PMIs) have fallen below the 50 demarcation between expansion and contraction, and we expect them to remain there over the course of the coming year. However, we believe the levels will improve with looser monetary policy across most markets, including Europe and China. China's fiscal boost will add additional firepower to the manufacturing sector.

Figure 2: Global manufacturing PMIs

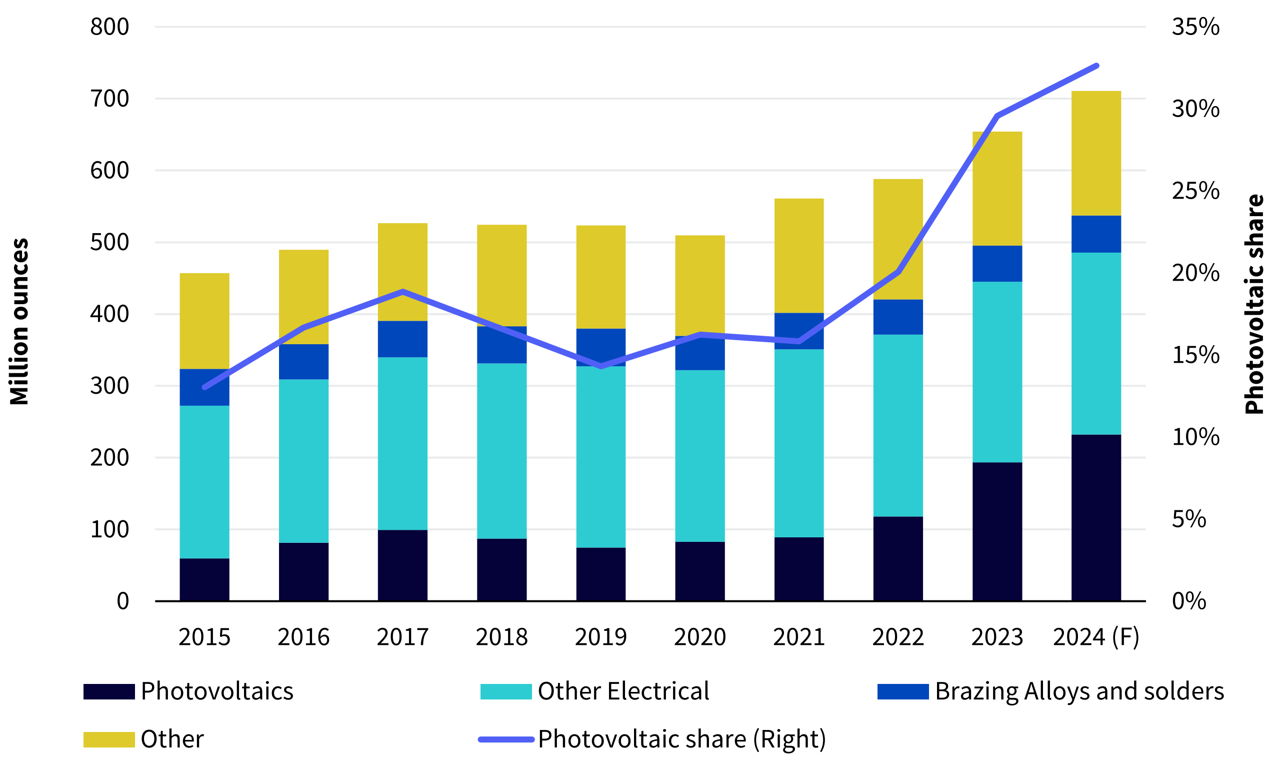


Source: WisdomTree, Bloomberg, S&P Global, Historic: May 2009 to October 2024. **Forecasts: November 2024 to September 2025. Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

Silver's industrial demand has been accelerating despite the strong headwinds for industrial activity. Industrial demand for silver has been scaling new highs, propelled by photovoltaic demand and increasing use of silver in 5G and electronics in cars. Photovoltaic installations significantly exceeded anyone's forecast at the beginning of 2023, with new capacity additions forecast to reach another record high in 2024. Silver offtake should also benefit from the technological breakthrough that has brought new, higher-efficiency N-type solar cells (with higher silver loadings) into mass production. In the automotive industry, greater use of electronic components and investment in battery charging infrastructure will continue to support silver offtake.

Consumer electronics were an area of relative weakness for silver demand in 2023, but with artificial intelligence applications set to expand in 2024, we expect silver demand from this segment to rise.

Figure 3: Industrial demand for silver



Source: Metals Focus, WisdomTree, July 2024. (F) = Forecasts. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties**

China's pivot toward high-tech green industries as key growth drivers is gaining momentum, and photovoltaics have been a key beneficiary. China has increased PV module production, and in turn, the prices of modules have fallen, accelerating deployment. In 2023, China's newly added installations hit an astonishing record of 216 gigawatts. This was up over 140% year-on-year, lifting global capacity additions above 400GW. As China prepares its next fiscal boost, we expect policymaking to provide plenty of firepower to propel renewable energies further. China's solar industry will be a key beneficiary.

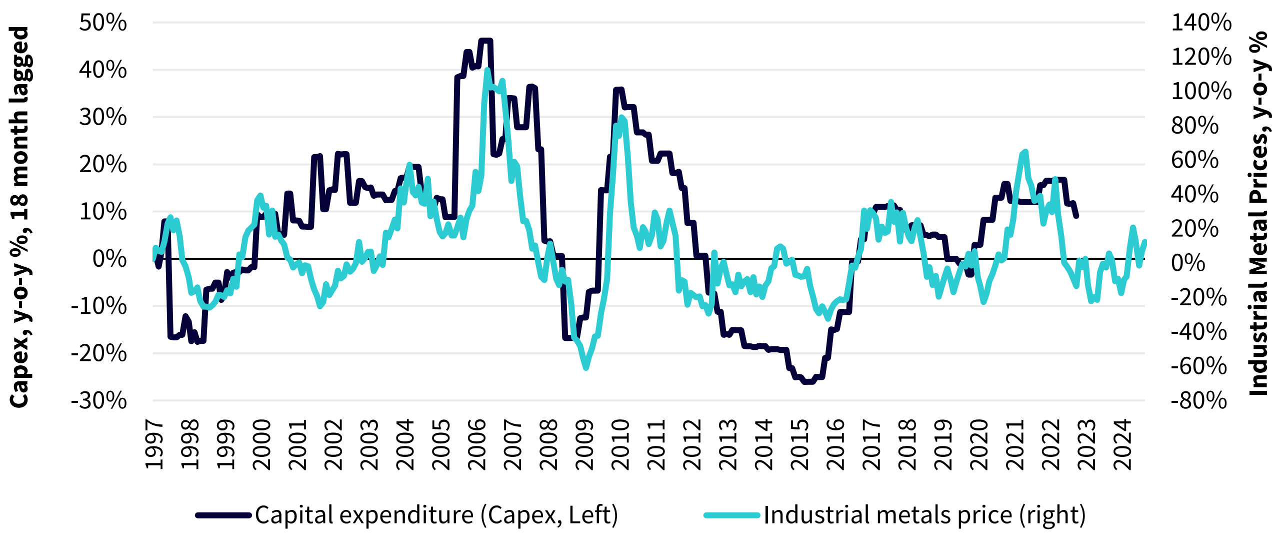
Moreover, the global industry migrated from P-type cells (PERC) to N-type cells (TOPCon and HJT), with higher silver loadings. Although the industry actively improved the manufacturing process for thrifting and substitution, the substantial increase in installations and the rising share of N-type cells still meant a notable jump in silver demand.

Mining capex decelerating

Given that 75% of mined silver is a byproduct of mining for other metals, we look at capital expenditure across the metal mining space. Growth in capital expenditure has been decelerating this year. Capital expenditure in mines tends to have a lagged relationship with the price of industrial metals. So, although industrial metal prices are up strongly this year, we expect the capital expenditure in mines to continue to decelerate, given that prices in industrial metals were falling 18 months ago. Other headwinds for supply include declining ore grades.

In September, Russian President Vladimir Putin said he was considering limiting exports of various metals, including nickel. Should he follow through with this threat and production of these metals decline in parallel, less silver as a byproduct may be available in global markets.

Figure 4: Mining capital expenditure and industrial metal prices



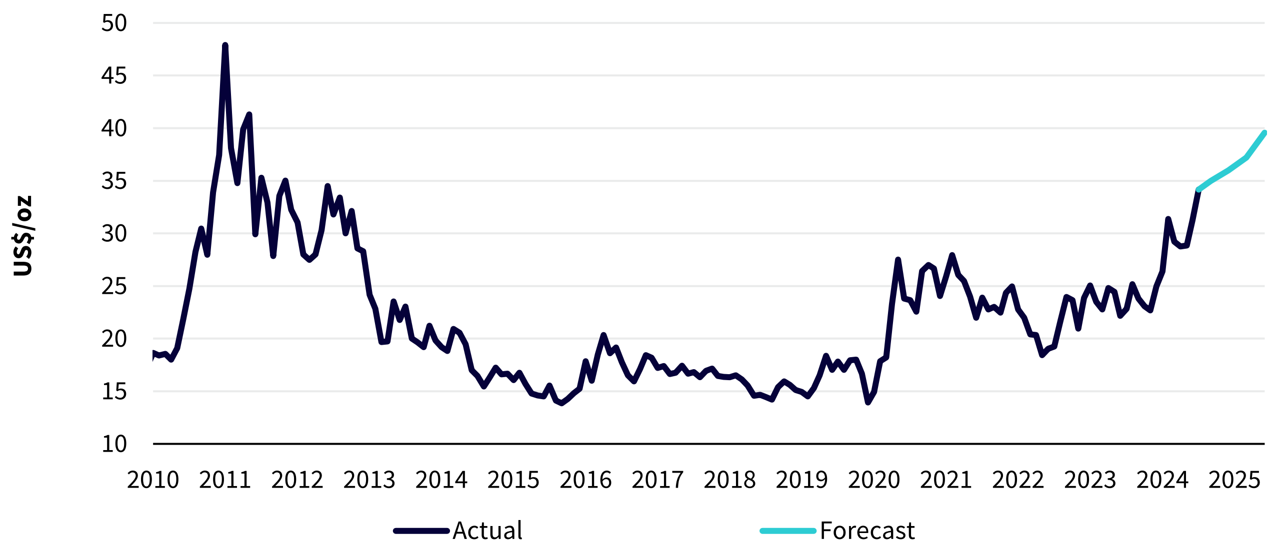
Source: WisdomTree, Bloomberg, February 1996 to September 2024. **Historical performance is not an indication of future performance, and any investments may go down in value**

Outlook

Silver is strongly correlated to gold. When gold rises, silver tends to rise that little bit more. We have a very constructive view on gold. We expect the yellow metal to rise to $3,030/oz by Q3 2025, with bond and US dollar headwinds easing, geopolitical risks remaining elevated, and a looser monetary and fiscal backdrop from a range of countries, from the US to China, supporting the metal.

We believe silver will continue to rise at a stronger pace than gold, given the strength in industrial demand for the metal. China's policy easing will be positive for physical demand. We believe silver will reach $40/oz by Q3 2025, going back to levels last seen in 2011, around the time of the sovereign debt crisis in Europe.

Figure 5: WisdomTree silver price forecast



Source: WisdomTree (forecasts), Bloomberg (historic data), data available as of close 30 September 2024. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

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