THE EDGE CONSULTANCY

# The Edge Economic Update

## Silver

### A Strategic Asset in a Shifting Global Order

December 2025

# Silver: A Strategic Asset in a Shifting Global Order

## Executive Summary

Silver prices surged to record highs in 2025, capping a year of exceptional performance. The metal gained over 120% year-to-date – more than doubling in price – far outpacing gold's ~64% rise. This rally pushed silver above \$65/oz for the first time ever, marking its best annual performance on record. A confluence of factors fueled this "perfect storm": robust investment inflows, a persistent supply deficit, and booming industrial demand from sectors like solar energy and high-tech electronics. Silver also benefited from macroeconomic trends – notably safe-haven buying amid inflation and geopolitical tensions – that similarly boosted gold.

In short, 2025 reaffirmed silver's dual role as both a precious metal and an industrial commodity. Key highlights include:

- **Unprecedented Price Rally:** Spot silver hit an all-time high near \$66.9/oz in December, finishing ~120% higher for the year – the strongest annual gain in decades.
- **Supportive Fundamentals:** A multi-year supply shortfall (fifth consecutive annual deficit) combined with record industrial offtake created a tight market.
- **Investment Demand Soars:** Investors piled into silver via coins, bars, and especially ETFs, reversing several years of net selling. Safe-haven flows, inflation hedging, and momentum buying all contributed.
- **Volatility & Outlook:** Analysts note silver's volatility remains high – historically, it moves ~2x more than gold. While some forecast further upside (targets ~$70–75/oz in 2026) if interest rates fall, others caution that sharp corrections are possible.

Overall, 2025's silver rally underscored the metal's unique investment appeal and industrial importance. The following sections summarize silver's role as an investment, recent price trends, key industrial applications, and the macroeconomic/geopolitical context shaping its market.

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## Silver as an Investment Tool

Investors can access silver through physical holdings, exchange-traded funds (ETFs), and mining stocks, each offering distinct advantages and risks:

**Physical Silver (Coins & Bars):** Owning tangible silver bullion provides direct exposure with no counterparty risk. Demand for silver coins and bars has been strong in recent years as a store of value, though it moderated in 2024 (Western investors took profits, causing a 22% drop in physical investment, even as Indian buying rose +21% that year). Physical silver's appeal lies in its historical role as hard currency and inflation hedge, but buyers must consider storage and liquidity constraints.

**Silver ETFs:** ETFs like iShares Silver Trust (SLV) allow investors to trade silver easily on stock exchanges without holding the metal. After four years of steady outflows, 2025 saw a sharp reversal – ETFs turned into net buyers, injecting billions into silver. SLV alone attracted about \$2.3 billion of inflows by Dec 2025, as investors sought exposure to the rally. These funds track the spot price and are backed by physical silver, offering convenience and liquidity. However, ETF holders don't have physical possession, and management fees apply. Notably, ETF demand made up a significant share of the 2025 price surge, indicating the influence of financial flows on the silver market.

**Silver Mining Stocks:** Purchasing shares of silver mining companies provides leveraged exposure to silver prices. In 2025, silver miners vastly outperformed even the metal's gains – for example, some major producers' stocks nearly tripled (one leading miner's share price was up ~295% year-to-date by late 2025) as profits swelled. Mining equities often amplify silver's moves because of operating leverage, but they also carry extra risks: company management, production costs, and geopolitical or environmental factors. Silver mining indexes and ETFs (e.g. SIL) similarly soared in 2025 alongside the metal. While mining stocks can enhance returns, their volatility and risk profile mean they may not suit all investors.

In summary, physical silver offers pure, long-term exposure, ETFs provide liquidity and ease, and mining stocks offer high risk-reward leverage. A diversified approach can balance these tools, as each responds differently to market conditions.

## Price Trends in 2025 and Beyond

Silver's 2025 rally was one for the history books. Starting the year around \$30 per ounce, prices climbed steadily and then explosively in Q4, peaking at \$66.87/oz in mid-December. This marked the first time silver surpassed its 1980 record (around \$50/oz during the Hunt Brothers episode) and the 2011 spike (~\$49/oz) in nominal terms. By year-end, spot silver was more than double its January level – a record high in both price and yearly percentage gain. Such an extraordinary run made 2025 the best year for silver in at least four decades, even outperforming gold's strongest year since 1979.

Multiple forces drove this trend. Investment demand was a primary catalyst, as noted by analysts: "these prices are being driven by investment and speculation... with a strong fundamental background behind it". The fundamentals included tightening supply and robust industrial usage (discussed below), which created a supportive backdrop. But it was waves of momentum buying and capital flows into silver (e.g. via ETFs and futures) that turbocharged the price appreciation. Traders in key markets like China piled in as prices rose, evidenced by surging trading volumes and open interest on exchanges.

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Once silver convincingly broke past the long-held \$50 resistance, it attracted fresh attention as a “breakout” asset.

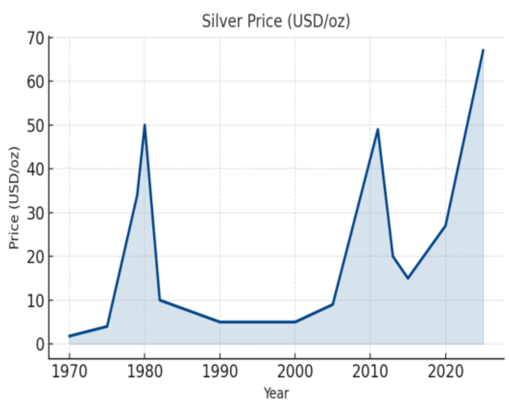


*Figure: Historical silver prices (USD/oz) over the last ~50 years. Notable peaks occurred in 1980 and 2011 (around $50/oz) before the 2025 record high surpassed $65/oz.*

Looking ahead, market sentiment is divided. Some experts remain bullish, seeing room for further highs: for instance, \$70–75/oz price targets for late 2026 have been suggested if U.S. interest rates start falling and the macro environment stays gold-friendly. They argue that silver’s supply/demand dynamics and inflation hedge appeal could continue driving prices upward. Indeed, by late 2025, WisdomTree’s commodities strategists noted the environment is “quite supportive” of silver and predicted prices may reach the mid-$70s next year.


*Figure: 2025 year-to-date silver price movement (USD/oz). By December, prices were more than double their January levels.*

However, volatility remains a key feature of silver. The metal often sees exaggerated swings: historically, a 1% move in gold corresponds to a ~2% or more move in silver. Analysts caution that after such a steep run-up, silver is “vulnerable to steep corrections”. Any pullback in gold or shift in investor sentiment could spark outsized profit-taking in silver. This was evident on a few occasions in 2025 – for example, sharp one-day drops occurred in October when broader markets wavered. Thus, while the long-term prospects appear positive, short-term price consolidation or turbulence would not be surprising following the historic 2025 rally.

One notable trend was the collapse of the gold/silver ratio. This ratio – ounces of silver per ounce of gold – dropped from over 100:1 in April to around 70:1 by year’s end. A lower ratio means silver strengthened relative to gold, reversing a long period of underperformance. For context, the ratio had spiked above 120:1 in 2020 and was ~80 at the start of 2025, reflecting silver’s undervaluation. The 2025 rally brought the ratio down near historical norms, a sign that investors saw silver as “catching up” to gold’s multi-year advance. Some analysts view this normalization optimistically, noting that silver often lags and then rapidly closes the gap with gold in bull markets. The ratio’s decline also underscores the influence of industrial demand – gold has little industrial use, so silver’s outperformance partly signaled the strength of economic/industrial drivers in 2025’s market.

In summary, silver’s price trend in 2025 was sharply upward, driven by exceptional demand dynamics and investor enthusiasm. The metal achieved new milestones, but with high volatility along the way. Future price movements will hinge on how enduring the investment momentum is and whether fundamental demand remains strong, especially if monetary policy or economic conditions shift in the coming year.

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## Industrial Applications Driving Demand

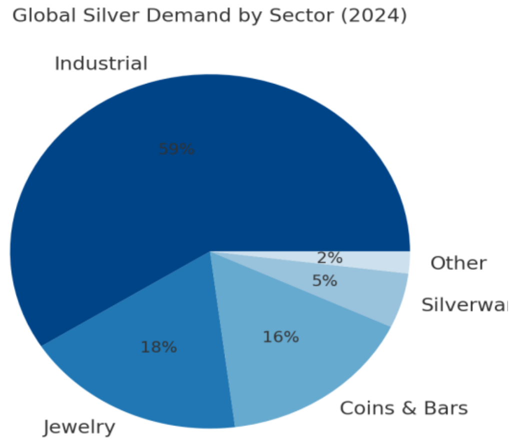


*Figure: Global silver demand by sector (2024). Industrial uses (shades of blue) dominate the demand profile, making up roughly 60%. Jewelry and silverware (combined ~23%) reflect silver's role in adornment. Investment in bullion (coins and bars) was about 16% in 2024, down from record highs in 2022, as some investors rotated into ETFs (not shown) and other assets.*

Silver is often called "the indispensable metal" for modern industry, thanks to its unique physical properties – it has the highest electrical and thermal conductivity of any metal, is highly reflective, and is malleable. These traits make silver crucial in a wide array of industrial and technological applications. In 2024, industrial uses accounted for about 60% of global silver demand, and this share likely remained high in 2025. Industrial demand for silver even hit a record 680.5 million ounces in 2024, and stayed near record levels in 2025, providing a strong fundamental floor for the market. Key sectors and use cases include:

**Electronics & Electrical:** Silver's superior conductivity means it is widely used in circuit boards, switches, contacts, and microchips inside virtually all electronic devices. From smartphones and laptops to household appliances and 5G telecom equipment, minute quantities of silver ensure reliable electrical connections. As global consumer electronics production grows, so does silver consumption. Even high-tech uses like AI data centers depend on silver in their high-performance hardware. This sector is the single largest for silver demand by volume.

**Solar Photovoltaics:** The solar power industry is a major and growing consumer of silver. Photovoltaic (PV) solar panels use silver paste in their solar cells to conduct electricity generated from sunlight. A typical solar panel contains a few grams of silver. With record solar installations worldwide, PV demand for silver has surged – solar was highlighted as a top driver of the all-time high industrial silver usage in 2024. Manufacturers have been trying to thrift silver (using less per cell) due to high prices, but the sheer volume of new solar capacity has outweighed these reductions. As the transition to renewable energy continues, the solar sector is expected to remain a robust source of silver demand.

**Automotive & Electric Vehicles (EVs):** Cars and trucks have relied on silver-bearing electronics for decades (e.g. in engine control units, infotainment systems, and safety sensors). The rise of electric vehicles has further boosted silver's importance in autos. Battery EVs use roughly 25–50 grams of silver per vehicle, which is *about 1.5–2 times more* than the silver used in traditional internal combustion cars. Silver is found in EV power electronics, chargers, battery management systems, and advanced driver-assistance sensors. As EV production accelerates globally, analysts expect automotive silver demand to approach ~90 Moz annually later this decade. Additionally, the rollout of charging infrastructure and the electrification of fleets (buses, trucks) will add to silver consumption. In 2025, strong auto sector demand (both conventional and electric) contributed to silver's industrial strength.

**Medical & Health:** Silver's antimicrobial properties make it valuable in medicine. It is used in medical equipment coatings, wound dressings, and hospital surfaces to prevent infections. For example, certain bandages have silver ions to inhibit bacterial growth. Silver-infused coatings are applied on catheters and implants to reduce biofilm formation. Beyond healthcare, silver is also used in consumer health products like antimicrobial textiles (for odor control in athletic apparel) and hygiene items. While the quantities are relatively small, these high-value uses underscore silver's vital role in health and safety applications. The COVID-19 pandemic, for instance, spurred interest in antimicrobial surfaces, some leveraging silver nanoparticles.

**Other Industrial Uses:** Silver plays many supporting roles in industry. It is used in brazing and solder alloys for joining metal parts (thanks to its melting characteristics), in high-end mirrors and glass coatings (due to its reflectivity), in chemical production as a catalyst (e.g. the production of ethylene oxide), and even in water purification systems (silver ions disinfect water). Historically, silver was critical in photography for film and X-ray paper; although photographic demand has declined sharply in the digital era, it still accounts for a small portion of use. Likewise, silver is used in jewelry and silverware (which is technically non-industrial demand, around 23% of total demand in 2024) – this remains culturally and economically important in many regions. In sum, beyond the headline sectors, silver's chemical and physical versatility means it is embedded in countless processes and products that shape our daily lives.

Industrial demand for silver is expected to stay robust in coming years. Even as each unit of technology tries to use less silver (for cost-saving), the explosive growth in the number of devices, vehicles, and solar panels is more than compensating. The Silver Institute forecasts industrial silver consumption will remain near record levels through 2025. This steady demand from industry provides a solid underpinning to the silver market, making the metal less solely reliant on investor sentiment than gold. It also means silver's fortunes are tied to technological and economic trends: a boom in green energy or electronics can directly translate to higher silver uptake. In 2025, it was precisely this convergence of technology-driven demand and investment frenzy that propelled silver upwards.

## Macroeconomic and Geopolitical Factors

Silver's market in 2025 was heavily influenced by the broader economic backdrop and geopolitical developments. As a precious metal, silver often reacts to inflation and interest rate expectations, and as a quasi-industrial commodity, it is sensitive to global growth and trade issues. Several key macro factors played into 2025's price action:

**Inflation and Monetary Policy:** After a surge in inflation in 2022–2023, 2025 saw price pressures begin to ease somewhat in major economies (for example, U.S. consumer inflation cooled to ~2.7% by late 2025). However, inflation was still above central bank targets, and many investors bought silver (and gold) as an inflation hedge and store of value. Crucially, the U.S. Federal Reserve halted its interest rate hikes in 2025 as inflation showed signs of cooling, and markets even anticipated rate cuts in 2026. The mere expectation of a dovish turn by the Fed boosted precious metals; lower interest rates make non-yielding assets like silver more attractive. Analysts noted that the prospect of U.S. rate cuts and ongoing economic uncertainty created a positive outlook for silver. Essentially, with real interest rates (interest minus inflation) potentially turning more negative, the opportunity cost of holding silver dropped, fueling its appeal. This macro environment – similar to that which propelled gold – underpinned much of silver's investment demand in 2025.

**Safe-Haven Demand and Geopolitics:** Periods of geopolitical tension throughout 2025 also drove investors into safe havens, including silver. The year featured persistent global uncertainties: from trade disputes between major economies to regional conflicts, and even concerns over financial stability. Silver benefited from the same flight-to-safety flows that lifted gold during these episodes. Notably, silver was added to the U.S. government's Critical Minerals list in 2025, reflecting its strategic importance. This designation stirred speculation that trade restrictions or stockpiling could involve silver. In fact, fears of tariffs on silver prompted a shift of inventories – bullion was reportedly moved out of London to U.S. vaults earlier in the year, tightening supply in the London market and supporting prices. Moreover, strong demand from India and China added to the perfect storm: Indian buyers, traditionally large consumers of silver jewelry and investment, and Chinese traders reacting to price momentum, both contributed to the surge. In summary, whenever global risks rose in 2025, silver saw additional safe-haven inflows, augmenting its already bullish trend.

**Supply Constraints and Deficits:** Unlike gold, silver faces structural supply challenges that have significantly impacted the market balance. 2025 marked the fifth consecutive year of a supply deficit in the global silver market. According to the World Silver Survey, 2024's deficit was ~148.9 million ounces (with demand ~15% above annual supply), and another ~117 Moz deficit is forecast for 2025. These shortfalls are unprecedented in modern times – cumulatively, from 2021–2025 the world will consume nearly 800 million ounces more silver than it produced. Drawdowns of above-ground inventories have been filling the gap, but those stockpiles are dwindling. Mine production has been relatively flat, rising only modestly (~0.9% in 2024). A key reason is that over two-thirds of silver mine supply comes as a byproduct of mining other metals (like lead, zinc, copper, and gold). This means even soaring silver prices can't easily spur a lot of new output unless those other metal markets also expand. There are few large pure-silver mines, and project development timelines are long. The result is an inelastic supply that struggles to keep up with demand growth. In 2025, this dynamic was evident – despite the price spike, there were no immediate large boosts in production. Recycling of silver (from scrap electronics, jewelry, etc.) does increase when prices are high, but it only accounts for ~20% of supply and cannot close the gap alone. Thus, the persistent deficits materially contributed to the bullish sentiment on silver; traders knew that any demand surge would tighten the market further because supply was constrained.

In combination, these macro and geopolitical factors created a favorable climate for silver. High-level uncertainty (economic and political) made investors seek protection in tangible assets, monetary policy shifts reduced headwinds for precious metals, and the fundamental supply-demand imbalance provided a compelling narrative for a rising silver price. It's a rare alignment that explains why silver had such a standout year. Going forward, observers will watch these factors closely: if inflation reignites or rate cuts materialize, if geopolitical risks persist, and if supply remains in deficit, silver could continue to shine. Conversely, a calmer geopolitical scene or aggressive central bank tightening would test silver's resilience. But as 2025 proved, the metal's blend of industrial utility and monetary heritage makes it uniquely responsive to the currents of both the global economy and world affairs.

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