

Silver Bull Run Possible in 2023 as Demand from China and Green Energy Surges

written by Matt Bohlsen | March 29, 2023

Silver prices have surged higher in March 2023, now at [US\\$23.21](#) at the time of writing. Market commentary puts the rise down to a few factors including a flight to the safety of precious metals on the back of the U.S banking meltdowns and “[limited silver supplies](#)”.

Silver one year price chart – Shows silver surging about 15% higher (from its low) in March 2023



Source: [Trading Economics](#)

Silver demand vs supply – Deficits in 2021 and 2022, and perhaps 2023?

Silver demand is being driven mostly by China's industrial production. A portion of that demand is renewable energy products such as solar cells. A recent Australian study [concluded](#):

“Even though very small amounts of silver are used in solar cells, at the rate that the solar industry is growing, solar manufacturers would require over 20% of the current annual silver supply by 2027 and approximately to 85–98% of the current global silver reserves by 2050.”

Silver supply is struggling to keep up with demand. Gainesville Coins precious metals expert Everett Millman was quoted by Kitco in December 2022, [stating](#): *“Silver sitting in vaults, which can be used for bullion products and investment products, has been getting tighter and tighter. A major issue for 2023.”*

Furthermore, Kitco [comments](#): *“The Silver Institute and Metals Focus stating that the physical silver market, which excludes ETFs, is projected to show the most significant supply deficit in decades this year.”*

[The Silver Institute](#) forecasts a significant silver deficit in 2022, following a 2021 silver deficit. Their 2022 global silver demand forecast is [1,101.8 million ounces](#) against a supply of 1,030.3 million ounces, leading to a 2022 forecast deficit of 71.5 million ounces. This follows from a 2021 global silver deficit of 51.8 million ounces.

The Silver Institute silver supply v demand model

summary showing deficit in 2021 and 2022 (f) – Note red ovals done by the author to highlight deficits

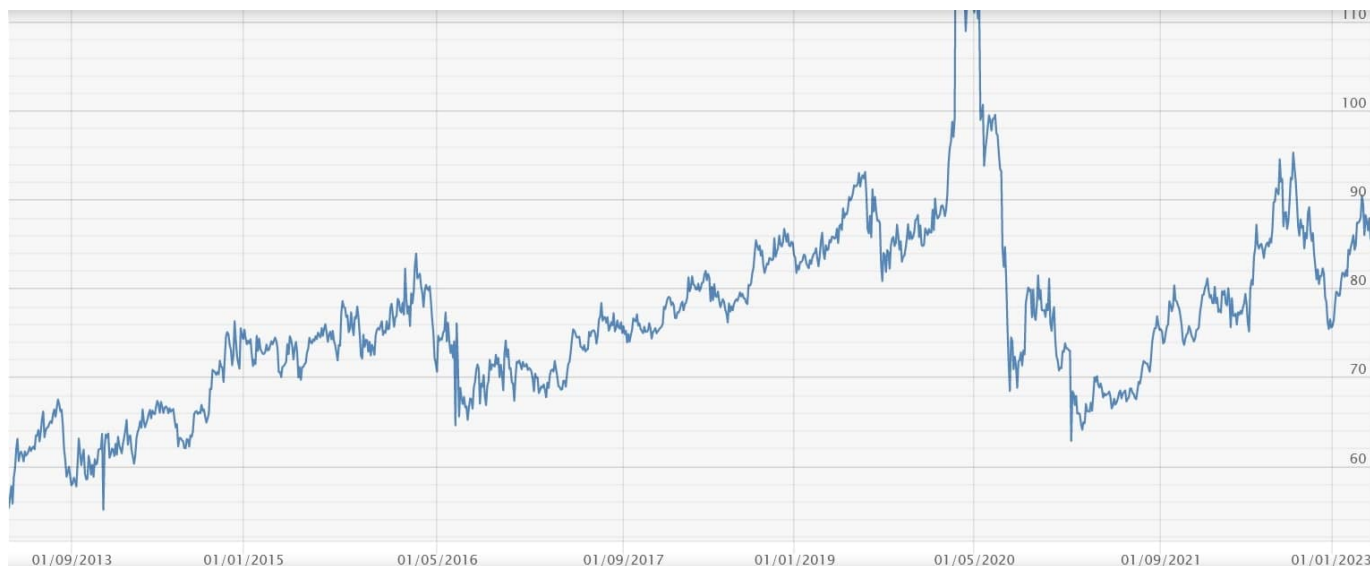
Silver Summary/Demand Summary											
Million ounces											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022F
Total Supply	1,008.0	1,027.3	1,055.3	1,047.4	1,046.9	1,011.9	1,000.0	999.8	953.0	997.2	1,030.3
Total Demand	978.8	1,058.7	1,012.0	1,052.3	979.4	951.3	975.7	980.0	880.0	1,049.0	1,101.8
Market Balance	29.2	-31.4	43.2	-5.0	67.5	60.6	24.3	19.8	73.0	-51.8	-71.5

Source: [The Silver Institute](#)

The gold to silver ratio remains high (bullish for silver)

The gold-to-silver ratio of [approximately 85 remains above its 10-year](#) average, suggesting there is room for silver to appreciate relative to gold.

The gold to silver ratio sits at ~85, which remains above the 10-year average



Source: [BullionByPost](#)

Where to next for silver prices

Generally speaking, gold does well in equity bear markets when investors are looking for safety, whereas silver typically does

best during times of economic growth where demand for silver rises. This trend is because silver is mostly an industrial metal used extensively in industrial applications and the electronics industry.

Silver and gold also tend to perform better once interest rate rises have peaked and if the US dollar weakens, both of which look quite likely to happen in 2023.

Silver-focused analysts and commodities experts are quite bullish on silver in 2023

Kitco [stated](#) in December 2022:

“Silver is gearing up to outperform gold in 2023 after a mixed year, according to analysts, who point to a more positive macro environment, strong physical demand, and a good technical set-up.”

David Morgan (quoted by [GoldSeek](#)), *“Silver tends to outperform 3:1 in bull markets. Once silver eclipses \$30-50, the next move could soar to \$70-\$100+.”*

Bank of America (quoted by [GoldSeek](#)):

“While upside may be limited near-term, mine supply is constrained, so a rebound of commercial purchases is set to ultimately push prices higher. [Supply] should also be supported by rising demand from solar panel and electric vehicle manufacturers, as the global community focuses on tackling climate change.”

Closing remarks

Both gold and silver have had a very good past month on the back

of U.S. banking concerns and investors looking for safe havens.

Looking ahead to 2023, demand for safety from the precious metals looks likely to continue but may favor silver as the Chinese economy kicks back into full gear following years of Covid-19 restrictions. China is the largest consumer of silver, and industrial silver use is the largest demand driver for silver. Furthermore, the new green economy puts further demand pressures on silver.

A global recession remains the main risk for silver prices in 2023, as this would reduce silver demand.

March has already seen silver regain its popularity. 2023 looks set for silver to move higher as demand accelerates and supply remains tight, assuming we avoid a major global recession.