The Reality Behind the Silver Deficit Headlines

Is The Silver Deficit Real?

What The Silver Institute Reports

- **Source of data:** The Silver Institute commissions **Metals Focus** to compile its *World Silver Survey*.
- **Deficit definition:** They look at **"physical market balance"** — mine production + recycling **minus** fabrication demand (industrial, jewelry, silverware, and physical investment demand).
- When demand exceeds supply, they call it a *deficit*.
- **Key point:** This deficit is *physical metal*, not paper contracts, and — it assumes above ground inventories are drawn down to meet the gap.
- For recent years (2021–2024), they've reported **record physical deficits** — in the 200–250 million ounce range — the largest in decades.

Example:

If annual mine + recycling = 1.0B oz, but demand = 1.2B oz → 200M oz deficit.
The shortfall, they say, comes from above-ground stocks (coins, bars, LBMA vaults, COMEX inventories).

What CPM Group Reports

- **Source of data:** CPM runs its own independent supply/demand and stockpile models.
- **Deficit definition:** Christian says there is *no structural deficit*, because when you include **all silver flows** — especially movements from extensive above-ground inventories (private, industrial, government, ETFs, and unreported stocks) — the market balances.
- His view: silver demand never exceeds total available silver; if stocks are drawn down, it's not a "deficit," it's simply disinvestment from holdings.
- CPM includes **opaque sources** like old silverware melting, industry scrap not in official recycling stats, and non-exchange inventories in its supply side.

Example:
Same 1.0B oz mine + recycling + **200M oz from existing stockpiles** = 1.2B oz total supply → balanced market, no deficit.

Why the Numbers Clash

- **Accounting for above-ground stockpiles:**
  - *Silver Institute* treats drawdowns from inventories as proof of a deficit.
  - *CPM* treats those inventories as part of the total supply, so no deficit exists as long as stocks can be tapped.
- **Data transparency:**
  - Metals Focus' numbers are more public-facing but rely on best estimates for unreported flows.
  - CPM's data is more granular in terms of private & industrial stocks, but a lot is proprietary.
- **Different time horizons:**
  - SI focuses on *annual flow* vs. annual demand.
  - CPM looks at the *whole system*, including long-term above-ground reserves

Who's "Right"?

Both are correct within their frameworks:

- **Silver Institute:** Right, if you define deficit as *current year mine + recycling < current year demand*. This is the perspective most investors see — and it makes for more dramatic headlines.
- **CPM:** Right, if you define deficit as *only occurring when total demand exceeds total available supply, including above-ground stocks*. In this sense, there hasn't been a "true" shortage — metal still comes from somewhere to fill the gap.

The Investor's Takeaway

- The **Silver Institute deficit** signals that *new mine output* is insufficient to meet *current demand*, which is bullish for long-term prices if stockpiles keep falling.
- The **CPM no-deficit view** signals that *price spikes may be delayed* until above-ground inventories are exhausted — but once they are, the shortage becomes real and dramatic.

In other words —

- SI is warning: *"We're eating into the pantry every year."*
- CPM is saying: *"Yes, but the pantry is still stocked."*

The real inflection point is when the pantry shelves are bare, and that's when the market goes parabolic.