



## 2 Game-Changing Catalysts for the Price of Silver

### Description

I have been bullish on the [outlook for silver](#) for some time and there are a number of indicators that silver is extremely undervalued. Key is the gold-to-silver ratio, which has continued to widen with silver prices languishing at around \$16 an ounce, which is down 14% over the last year, despite gold's recent rally.

However, I believe this is set to change with two emerging catalysts that over the long-term will drive the price for silver exponentially higher. Let me explain why.

#### 1. Photovoltaic cells or PVs

Silver is an important component of PVs because of its conductive properties which are superior to any other metal. The current manufacturing process requires 2.8 million ounces of silver to build enough PVs to generate 1 gigawatt or GW of electricity. In 2013, this saw 65 million ounces of silver used in their manufacture, accounting for around 7% of that year's total global supply. But I expect demand for silver for use in the manufacture of PVs to grow exponentially.

This is because many countries are focused on increasing the amount of electricity generated using environmentally friendly means with solar being one of the preferred options. The world's second largest economy, China, has set aggressive targets to increase the amount of solar-generated electricity. Earlier this year it announced it would boost solar electricity generation by 51 GWs to 70 GWs by the end of 2017. This alone would require 143 million ounces of silver to manufacture the required number of PVs.

But China is not alone. Between now and 2018 the European Photovoltaic Industry Association expects Europe to add around 69 GW of additional solar capacity to its energy grid. Japan is also working hard to boost solar capacity to overtake Germany and become the number one user globally.

For these reasons, I expect global demand for silver between now and 2018 to increase exponentially, with China and Europe's demand for PVs alone requiring 336 million ounces of silver. This will cause the annual demand for silver for use in PV manufacture to more than double from 2013 levels.

## The second application is its use in the manufacture of hi-tech electronics

Silver's conductive properties make it an important component used in the manufacture of flexible electronics including touchscreens and sensors, light-emitting-diodes or LEDs, and interposers, which allow the stacking of semiconductor chips. Each of these are important components in a range of modern electronic devices including tablets, portable computers, mobile-phones, e-readers, and electronic sensors.

With many of these devices now basically modern necessities, the growing demand for silver to be used in their manufacture is virtually guaranteed.

By 2018 annual silver consumption for use in flexible electronics is expected to grow tenfold to 2 million ounces, while for LEDs it will jump to 8 million ounces and for interposers 10 million ounces. This total of 20 million ounces represents around 2% of the total forecast global supply for 2018 and coupled with growing demand for its use in PVs will place significant pressure on an already constrained supply situation.

In fact, in 2013 demand for silver outstripped supply and this is expected to occur again in 2014. I also expect this to continue for the foreseeable future not only because of growing demand for silver for use in these technologies, but also because silver miners are just not investing in boosting supply because of the slump in silver prices.

I believe the best way for investors to take advantage of this is to invest in **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW). Like the silver miners, it offers exposure to the price of silver but with significantly less risk. It also has a decidedly lower cost structure, allowing it to generate superior profit margins to the miners. This allows it to remain profitable at silver prices the miners can't, while even the slightest bump to the silver price will have a convincing impact on its bottom line.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. TSX:WPM (Wheaton Precious Metals Corp.)

## Category

1. Investing
2. Metals and Mining Stocks

## Date

2025/08/04

## Date Created

2014/12/04

## Author

mattsmith

default watermark