

THE SILVER RALLY OF 2025–26

What drove the surge, why prices pulled back, and the role of solar

EXECUTIVE SUMMARY

Silver delivered one of the most dramatic moves in the modern commodity record between early 2025 and the first quarter of 2026. After opening 2025 near US\$29 per ounce, the metal climbed past its 1980 nominal record of around US\$50 in October 2025, broke US\$100 in January 2026, and printed an intraday all-time high of US\$121.62 on 29 January 2026 — a gain of roughly 180% from the start of 2025. It then corrected sharply, falling more than 30% in about ten days to the mid-US\$70s, and has since stabilised in the US\$70 to US\$85 range.

A single factor did not drive the move. A multi-year structural supply deficit collided with three demand surges occurring simultaneously: industrial offtake for solar photovoltaics, AI data centre and electronics build-outs, and a wave of investment and stockpiling demand led by India and China. Monetary loosening, a weaker dollar, geopolitical stress, and a physical squeeze in COMEX and LBMA vaults amplified the move. The pullback that followed was largely technical — a reaction to an overbought market, higher exchange margin requirements, a Federal Reserve leadership change, and the unwinding of a Chinese solar-related buying spree — rather than a change in the underlying story.

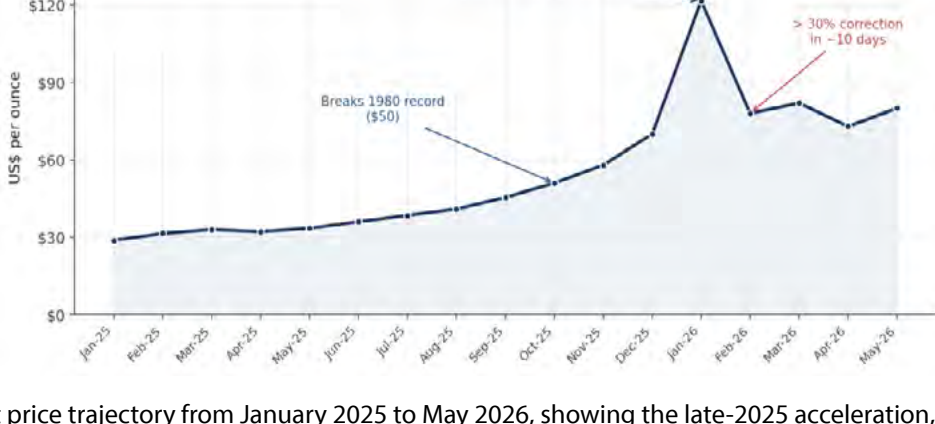


Figure 1. Silver spot price trajectory from January 2025 to May 2026, showing the late-2025 acceleration, the January 2026 peak, and the subsequent correction.

The supply backdrop

Silver has been in deficit every year from 2021 through 2025, and the Silver Institute projects a sixth consecutive deficit in 2026, on the order of 67 million ounces. The cumulative shortfall across 2021 to 2025 is around 820 million ounces — close to a full year of global mine output. Two structural features make this deficit hard to close:

- Mine production has been broadly flat for over a decade. Global output sat near 1.03 billion ounces in 2024 to 2025, marginally below the 1.07 billion ounces recorded in 2010.
- Roughly 70 to 80% of silver is produced as a by-product of gold, copper, lead, and zinc mining, so the silver supply does not respond quickly to silver prices. Miners cannot simply turn the silver tap higher when prices rise.

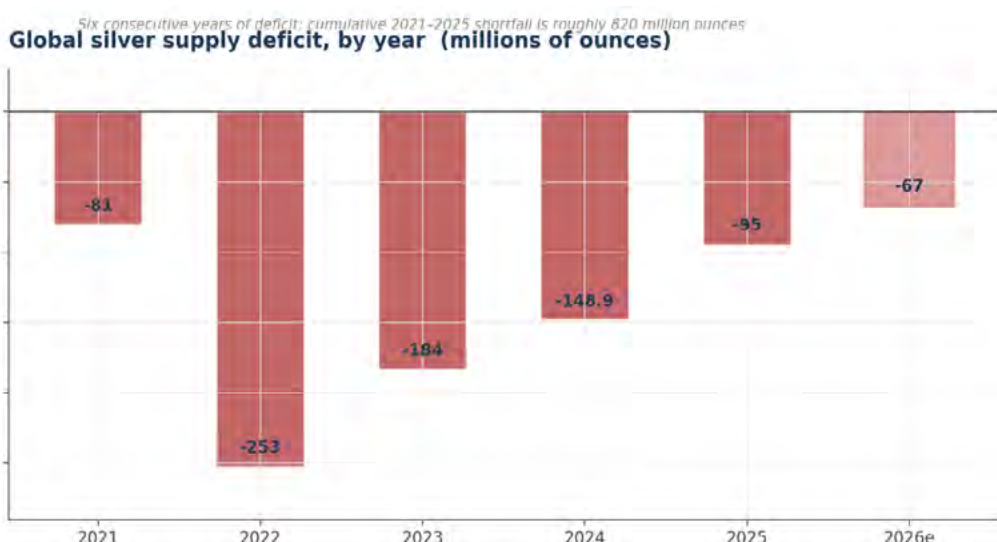


Figure 2. Annual global silver market deficits. Six consecutive years of deficit have steadily drawn down above-ground inventories.

With above-ground inventories in London, New York, and Shanghai already thinning, the market entered 2025 with very little cushion against a demand surprise.

2. WHY PRICES ROSE SO SHARPLY

Industrial demand: solar at the centre

Industrial use is now around 59% of total silver demand, and inside that, photovoltaics is the single largest growth engine. Silver paste is screen-printed onto the front and back of solar cells to conduct electricity away from the wafer, and its conductivity is unmatched at the required volumes. Per the Silver Institute, the solar sector consumed about 197.6 million ounces of silver in 2024 across roughly 400 gigawatts of new capacity — about 0.5 million ounces per GW.

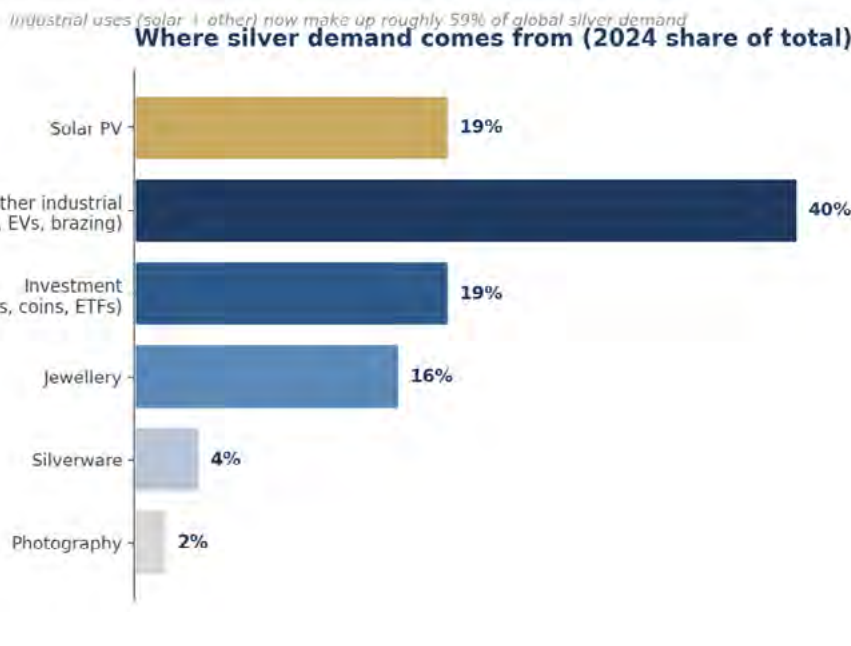


Figure 3. Composition of global silver demand. Industrial uses now dominate, and the solar PV slice alone is comparable in size to all of investment demand.

Two technology shifts have increased silver intensity per panel, even as panel design has otherwise become more efficient. Manufacturers are migrating from older PERC cells to higher-efficiency N-type designs: TOPCon (tunnel oxide passivated contact) cells use roughly 1.5 times as much silver per gigawatt as PERC, and heterojunction (SHJ) cells use about twice as much. The net effect is that even with active “thriftling” — reducing the milligrams of silver per watt — total silver demand from solar has grown alongside the global installation boom.

Investment and safe-haven demand

On top of industrial demand, 2025 saw a major rotation of investment capital into precious metals. Global silver ETF inflows reached 95 million ounces by mid-2025, exceeding all of 2024. Total ETF holdings climbed to roughly 1.13 billion ounces, valued at over US\$40 billion. The drivers were familiar: persistent inflation above central bank targets, expectations of Fed rate cuts, a falling US dollar (the DXY dipped below 97 in late 2025), and the structurally low gold-to-silver ratio, which compressed from over 100:1 earlier in 2025 to as low as 27 to 30 at the peak — well below the long-run historical average of 60 to 70.

Geopolitics and policy

Several political and trade developments fed into the rally:

- Tariff uncertainty under the Trump administration kept investors looking for hard assets through most of 2025.
- Trade tensions over Greenland, public statements on possible US strikes on Iran, and military activity around Venezuela kept safe-haven flows elevated into January 2026.
- Both the United States and China designated silver as a critical mineral, with the US adding it to its list in 2024, citing defence and energy-technology uses.
- Effective 1 January 2026, China replaced its old export quota system with a stricter licensing regime requiring producers to meet minimum output and credit line thresholds, thereby restricting roughly 60 to 70% of global silver supply to domestic use.

The physical squeeze

From late 2025 through January 2026, the paper and physical markets began to diverge in unusual ways. In a single week in mid-January 2026, around 33.45 million ounces — roughly a quarter of COMEX registered inventory — were physically withdrawn. One-month silver lease rates, which normally sit at 0.3 to 0.5%, spiked to around 8%, signalling severe scarcity of available physical metal for short-term borrowing. The Shanghai market traded at a sustained premium to global benchmarks, pulling metal east through Hong Kong. Several analysts characterised the late-January spike as a textbook short squeeze on top of genuine fundamentals.

3. WHO WAS BUYING — AND WHY

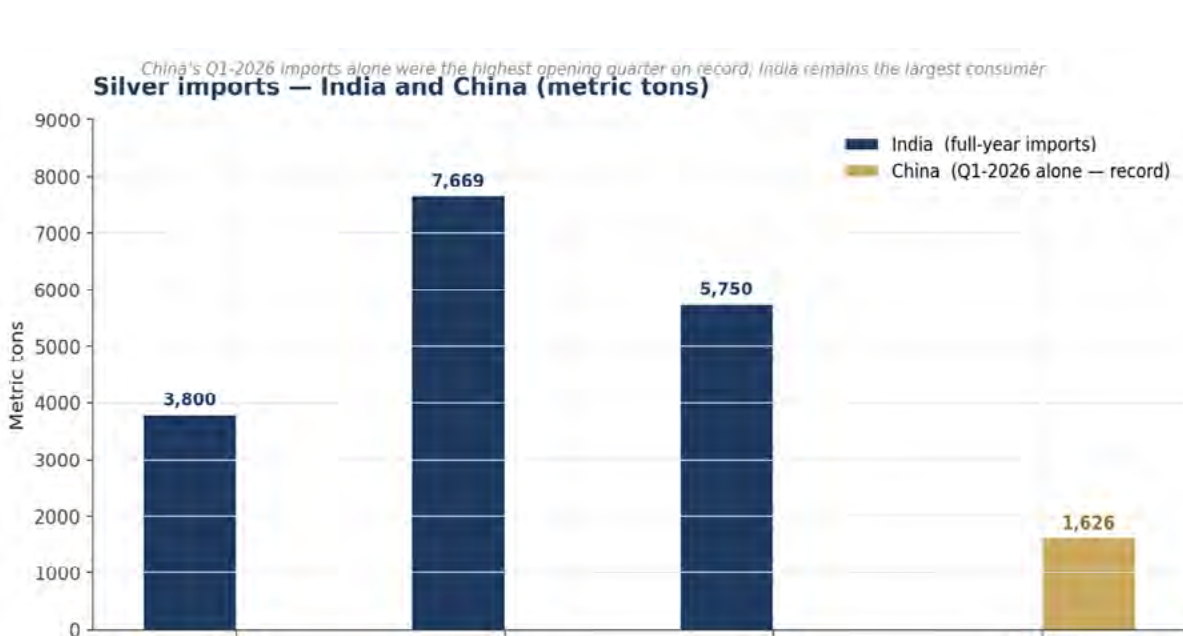


Figure 4. India's record 2024 import year was followed by inventory absorption in 2025, while China's Q1-2026 imports alone hit an opening-quarter record of 1,626 metric tons.

Country	Role in the 2025–26 rally
China	World's second-largest silver producer (around 3,400 metric tons in 2025) and dominant solar manufacturer. Silver imports in March 2026 hit 836 metric tons, up 78% month-on-month and roughly 173% above the ten-year seasonal average. Q1 2026 imports totalled 1,626 metric tons — a record for any opening quarter. Demand came from two sources: solar manufacturers front-loading production before a 1 April 2026 export tax rebate expiry, and retail investors buying silver bars as a cheaper alternative to gold.
India	World's largest silver-consuming nation, importing roughly 80% of its needs. Imports reached 7,669 metric tons in 2024 and were on track for 5,500 to 6,000 metric tons in 2025. The 2025 import duty cut from 15 to 6%, ETF inflows of about ₹234.7 billion (up from ₹85.7 billion in 2024), strong wedding and festival demand, and an emerging green-energy industrial story all contributed. By October 2024, monthly imports had reached 60 million ounces, a 300% year-on-year jump, and physical metal was being air-freighted from London to Mumbai — a clear sign of urgency.
United States	Added silver to its critical minerals list, citing its role in advanced energy and defence technologies. ETF and retail demand were strong, and COMEX delivery activity was elevated through Q1 2026. The Trump administration's Section 232 review did not impose tariffs on silver, which removed one upside tail risk in late January.
Other markets	Western European ETFs, Middle Eastern sovereign and family-office buying, and stockpiling by traders routing through Hong Kong and Dubai all contributed. Africa's solar imports from China rose 176% year-on-year in March 2026 alone, with Nigeria, Ethiopia, and Kenya each crossing one gigawatt of monthly solar imports for the first time — silver flows into those panels long before installation.

A useful way to think about country roles: China was the dominant industrial buyer and increasingly an investment buyer; India was the dominant investment and jewellery buyer with a growing industrial appetite; the US drove ETF and futures market activity; and a broader set of emerging markets added marginal but meaningful demand.

4. THE SOLAR CONNECTION IN DETAIL

Solar is the part of the silver story that most people ask about, and it deserves a closer look because the picture in 2025 was more nuanced than the headlines suggested.

How much silver is in a panel

A modern solar panel contains roughly 15 to 25 grams of silver, applied as a silver-rich paste (60 to 90% silver by weight) on the cell's contact grid. At a system level, the industry consumes about 0.5 million ounces of silver per gigawatt of new capacity installed.

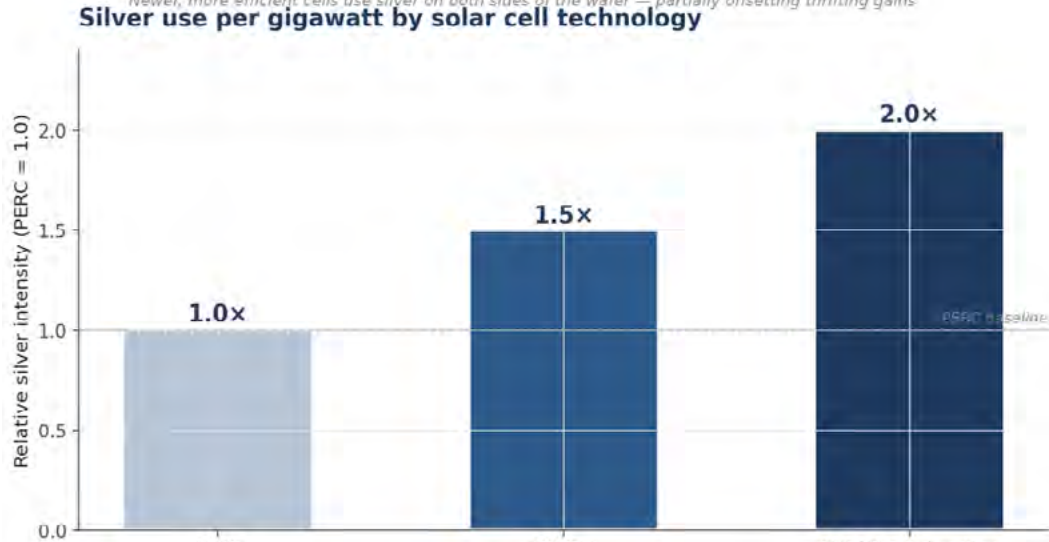


Figure 5. Silver intensity by solar cell technology. Even as engineers thrift silver use per watt, the industry mix-shift towards higher-efficiency cells partially offsets those gains.

So even as panels become more efficient and silver loading per watt falls, the rising mix of more silver-intensive cell types pushes total silver demand back up.

China's role is now decisive.

China hosts roughly 80% of global solar manufacturing capacity at every stage of the supply chain. In March 2026, China exported 68 gigawatts of solar products in a single month — more than Spain's entire installed solar capacity, shipped in 30 days. That single month's exports implied roughly 34 million ounces of embedded silver, equal to around 4% of annual global mine supply. The country's National Energy Administration had also planned to add 160 GW of domestic solar capacity in 2025 alone.

Why the technology mix matters

Older PERC cells use silver only on the front side. The N-type cells now displacing them — TOPCon and SHJ — require silver on both faces. TOPCon, which already accounts for over 85% of Chinese manufacturing, uses about 1.5 times as much silver per GW as PERC, and SHJ uses about twice as much.

The thrift question and the future

Manufacturers have strong incentives to use less silver, and the long-run trend has been one of steady reduction in milligrams per watt. Some Chinese producers (notably Long Green Energy) are developing copper-based back-contact cells targeted for mass production starting in mid-2026. If silver-free or silver-light architectures scale up, demand for silver from solar panels in China could fall by an estimated 19% in the medium term. For now, however, installation growth of around 15% annually is outpacing the thriftling gains, and silver demand from PV remains high in absolute terms. The IEA estimates that under a net-zero pathway, PV alone could absorb more than 30% of total global silver production by 2030, up from roughly 10% at the start of this decade.

Importantly, none of the structural drivers — supply deficit, solar demand, industrial transition, or the long-run case for precious metals — reversed. Major sell-side desks (Goldman Sachs, Citi, J.P. Morgan, Bank of America) have continued to publish 2026 average price forecasts in the US\$80-US\$110 range, with some seeing a path back into the triple digits.

5. WHY PRICES PULLED BACK

After the 29 January 2026 peak, several forces reversed at once:

- Extreme overbought conditions. Monthly RSI on silver hit levels last seen in the 1980 spike. Pullbacks of 25 to 35% are normal in precious metals bull markets after this kind of stretch.
- Higher margin requirements. When silver crossed US\$100, the CME Group raised margin requirements for silver futures, forcing leveraged traders to unwind their positions or post additional collateral. This is a mechanical buying pressure.
- Fed leadership change. Kevin Warsh — generally seen as a hawkish choice — was nominated to succeed Jerome Powell at the Federal Reserve. The US dollar rallied on the news, and dollar-denominated commodities sold off in tandem.

- End of Chinese frontloading. China's 1 April 2026 expiry of the 9% solar export tax rebate created a hard deadline. Manufacturers concentrated their purchases in Q1 to lock in the rebate, and demand fell off sharply once the deadline passed.
- Geopolitical de-escalation. A brief easing of tensions in the Middle East in early March reduced the safe-haven premium that had built up.
- Profit-taking and ETF outflows. Both Western and Asian investment demand had pushed prices well above what fundamentals alone supported. Once momentum broke, ETF flows turned net negative for several weeks.

6. OUTLOOK AND WHAT TO WATCH

The market is currently consolidating between roughly US\$70 and US\$85. The key variables for the rest of 2026 are:

- Federal Reserve rate path. Any resumption of cuts is historically supportive for silver.
- Chinese investment and solar demand. Watch monthly import data and Shanghai Gold Exchange volumes.
- Indian import duty policy. New Delhi has signalled it may raise duties again to defend the rupee and trade deficit.
- Solar cell technology mix. Wider adoption of copper-metallised back-contact cells would be the most consequential downside risk to industrial silver demand.
- Geopolitical conditions — Middle East, US–China trade frictions, and energy markets.
- Physical inventory levels at COMEX, LBMA, and Shanghai. A renewed drawdown would point to a return of the squeeze conditions seen in January.

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