

Why Silver Soared 160% in 2025: Key Drivers Behind the Silver Price Rally

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Why Silver Soared 160% in 2025 Latest News

- Despite a sharp 10% one-day fall in late December, silver quickly rebounded, ending December with gains of over 30% and posting a remarkable rise of more than 160% in 2025.
- Like gold, silver benefited from global trade tensions and interest-rate easing by the US Federal Reserve.
- However, its rally was also driven by distinct factors beyond safe-haven demand, setting it apart from gold's more traditional ascent.

Why Silver's Rally Is Different from Gold's

- Unlike gold, which is mainly valued as a store of wealth, silver benefits from diverse sources of demand.
- Its unique physical properties make it essential for industrial uses such as batteries, solar panels, and electronics—sectors critical to future technologies.
- Alongside this, silver also has strong demand in jewellery and coins.

- This **wide mix of industrial, investment, and ornamental** uses makes silver's buyer base broader and its price dynamics more powerful than gold's.

Supply Constraints and Geopolitics Fuel Silver's Rally

- **Byproduct Supply and Demand Mismatch** – Silver is largely produced as a byproduct of mining other metals. Its supply has failed to keep pace with rising industrial demand, tightening the market over several years.
- **US Adds Silver to Critical Minerals List** – In November 2025, the United States added silver to its critical minerals list, updated by the US Geological Survey. This influences government financing and potential tariff reviews under Section 232.
- **Tariff Fears Drive Stockpiling** – Even before the listing, fears of tariffs led to heavy stockpiling. Data from CME Group showed US silver inventories surged to 531 million ounces in September, far above normal levels.
- **China's Export Curbs Add Pressure** – New rare metals export restrictions by China, effective for two years, have heightened concerns, as silver is included in the controls.
- **Industry Alarm Over Supply Risks** – The restrictions have worried manufacturers reliant on silver. Elon Musk, CEO of Tesla, warned that silver is essential for many industrial processes, underscoring supply-chain anxieties.

Fear of Missing Out Fuels Silver's Price Spiral

- **Physical Shortages Trigger Price Spikes** – Heavy US stockpiling created supply mismatches in global hubs like London, where benchmark prices are set. Shortages of physical silver by October pushed prices sharply higher.
- **Retail Momentum Joins the Rally** – The Bank for International Settlements noted that trend-chasing retail investors sought to ride gold's momentum in 2025, pulling silver into speculative buying as well.
- **India's ETF Inflows Amplify Demand** – Indian investments surged, with Association of Mutual Funds in India reporting ₹5,342 crore inflows into silver ETFs in September—far exceeding gold ETF inflows—intensifying demand for physical silver.
- **Self-Reinforcing Price Cycle** – Creation of new ETF units required buying physical silver, tightening supply further. Rising prices fueled FOMO buying, which in turn pushed prices even higher.
- **Cooling Inflows, Persistent Tightness** – ETF inflows eased in October and November, but supply constraints kept markets tight, sustaining silver's elevated price levels.

Broader Commodities Rally in 2025

- **Metals Beyond Gold and Silver** – The commodity surge in 2025 extended beyond precious metals. Copper crossed the \$12,000-per-tonne mark for the first time, driven by US tariff fears and supply shortages similar to those affecting silver.
- **Weak Dollar and the 'Debasement Trade'** – A weakening US dollar—down about 10% in 2025—pushed investors towards the "debasement trade", favouring gold, silver, industrial metals, and even bitcoin as hedges against currency erosion.

- **Supportive Macro Conditions** – Easing monetary policy, fiscal concerns, geopolitical risks, and declining confidence in US assets sustained demand for real assets, reinforcing the upward momentum across commodities.
- **Outlook with Volatility Risks** – ANZ expects the bullish case for gold and silver to remain intact into the first half of 2026, though analysts caution that high volatility is likely after the sharp price run-up.

Source: IE

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