

Why China's New Export Rules Could Support Higher Silver Prices

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As 2025 drew to a close, the silver price hit a series of record highs as it knocked aside key resistance levels and marched up to US\$84/oz, giving it a gain of 175% for the year.

The confluence of several factors ignited the silver rally and most of these are still in place as we enter 2026, including US interest rate cuts that reduce the opportunity cost of holding non-yielding assets such as silver bullion, rising industrial demand, continued supply stagnation, and China's silver export policy. Interest rates and industrial demand were some of the things I spoke about in [early 2025](#) when I discussed silver's prospects for the year.

The silver news came thick and fast as 2025 drew to a close, and the rising price saw the Chicago Mercantile Exchange increase silver margin requirements unprecedented 3 times, which meant traders must deposit more collateral to hold their futures contracts, likely forcing undercapitalized traders to liquidate positions. In the meantime, China implemented strict control on silver trading. For example, the silver future ETF trading in China, so called "LOF" was allowed only 100 RMB per person per day purchase, basically each person can only buy 5 gram of silver per day. It looks like coordinated effects in the US and China to put silver price under control.

Higher silver prices also moved investors holding short positions to buy silver to cover their shorts. The silver price rally has seen the number of commercial short contracts fall from 82,000 representing about 400Moz to 28,000, representing about 140Moz. In the meantime, the long position also dropped dramatically. At the beginning of 2026, the silver future net position by investors is close to all time low. It points to the fact that most investors, long and short, are caught off guard by this recent move of silver. However, if you follow my publications and interviews in the past 3 years, you would know that it is exactly what I was forecasting.



Higher silver prices do not seem to be denting demand. In fact, the Silver Institute forecasts that industrial demand will rise over the next five years. The past few years were the highest years on record for industrial demand. Three key markets are growing fast: solar, electric vehicles (EVs) and artificial intelligence (AI), with industrial demand estimated at more than 55% of global consumption,

As the best conductor of electricity, silver is the star of growing demand for solar panels. This has seen the solar grow from around 11% of silver demand in 2014 to 29% in 2024. A research paper by the University of New South Wales in Australia forecast that by 2050, solar panel production will use 85–98% of current global silver reserves, despite thrifting to reduce the amount of silver used per panel.

Growing EV demand also means more silver consumption, as an EV uses 67-79% more silver than internal combustion vehicles. EVs are forecast to overtake internal combustion engine vehicles as the primary source of automotive silver demand by 2027. The Silver Institute said demand for AI is more difficult to calculate, but notes that its demand will increase given the growing adoption of AI.

Unfortunately for industries that consume silver, 2025 was the fifth straight year of a supply deficit in the silver market. Consulting group Metals Focus forecast demand will outstrip

supply by 95Moz in 2025, bringing the cumulative five-year market deficit to 820Moz, which is about one year of average mine output.

Silver production is not responding to higher silver prices because its supply is relatively inelastic. There are relatively few pure silver mines, with most of the metal, 70-80%, produced as a byproduct of copper, lead-zinc and gold production. These do not increase mine production because the silver price is higher.

In a year of supply silver market challenges, one piece of good news was that US President Donald Trump left silver (and gold) exempt from import tariffs, and it did not experience the disruptive effect that copper and other metals did. The US government did list silver as a critical metal, however, and if this leads it to start stockpiling, silver supply tightness could increase.

China's new export policy

In October 2025, China's Ministry of Commerce updated the 2026–2027 state-trading qualifications for tungsten, antimony and silver, effectively treating refined silver as a strategic resource.

Why is this happening? A sharp recent decline in silver inventories in China likely raised concerns for the government, which is focused on supporting domestic manufacturing—particularly solar panels, electric vehicles, and AI-related technologies that rely on silver as a key input. Ensuring adequate silver supply helps sustain these industries and supports continued exports of silver-containing products, which remain outside export controls, along with silver-bearing concentrates.

What does the new policy mean? For years, China has replaced its long-standing annual silver export quota of roughly 20 million ounces with a flexible export license system. This removes the fixed ceiling, letting exports respond to global prices and demand. At a macro level, it boosts global silver market liquidity, improves price alignment between China and international markets, and reduces distortions from artificial supply limits. However, due to the rapid increase in silver industry usage, China has failed to reach the export limits in the past years.

Markets are already reacting to this shift. Shanghai silver has moved to new highs alongside global prices, rising ~5%, while the China-international price differential has narrowed to ~1-2% (from ~10% last year), after accounting for 13% VAT. If exports were being constrained, the spread would be widening, not narrowing.

Replacing a hard export quota with a flexible licensing system allows silver to trade more

freely on global demand, supporting stronger price discovery and more durable silver pricing over time. However, putting silver under strategic resource will allow China to use silver as a weapon for potential future trade dispute, if China chooses so. It may also encourage and lead to other industrialized nations to build a strategic stockpile of silver.

China and the US are not the only geopolitical actors impacting silver, as India and Russia have also started the process of re-monetization of silver.

In April, 2025, the Reserve Bank of India allowed people to borrow against their silver jewelry or coins, for up to 90% of their value, which they could already do with their gold at about 10:1 silver gold ratio. This move lets Indian citizens keep their silver at times that they need cash and therefore reduces the amount of metal heading for inventory. Russia is monetizing silver in a different way by adding it to its State Reserve Fund, meaning it can buy silver to add to state reserves, as well as gold. An open question is whether China will lean towards re-monetization of silver. If it does, silver will go to triple digits overnight.

The good news for silver investors is that more price increases seem likely, with calls for triple-digit silver getting louder by the day. Bank of America head of metal research Michael Widmer just published a new report for 2026, suggesting that silver could “top out between \$135 to \$309/oz”. He is one of the very first mainstream analysts embracing triple digit silver and I expect more to follow. Although the silver price has increased by 175% in 2025, the outlook for the metals continues to be very positive, with higher prices on the cards for 2026. Because of this, I continue to recommend investing in silver production companies that demonstrate significant growth potential. Here is a company to consider in the current market environment.

<https://www.kitco.com/news/article/2026-01-05/gold-will-be-primary-hedge-and-performance-driver-2026-silver-could-top-out>

Silvercorp Metals Inc. (TSX:SVM; NYSE American:SVM): a Canadian pure-play silver mining company operating several low-cost, long-life mines in China. A misunderstanding of China’s silver export policy likely contributed to Silvercorp’s share price decline on December 23 and 24, even as silver prices reached new highs. This could represent a buying opportunity as the fundamentals for the company are solid.

In the current fiscal 2026, the company is expected to produce 7.5Moz of silver at low all-in sustaining costs, averaging US\$13.70/oz net of by-products year-to-date. Silver accounts for close to 70% of total revenue, one of the highest percentages among its shrinking peer group of silver miners. Silvercorp’s production base is in China, but the export controls will have little impact as it produces and sells silver-rich concentrates. The company is well

positioned to benefit from higher silver prices as it continues expanding production in China.

The company is also in growth mode. Backed by US\$382 million in cash (30 September 2025), Silvercorp is constructing its fully permitted El Domo copper-gold project in Ecuador, targeting first production by the end of 2026. El Domo is a high-grade open pit project with a compact footprint, expected to produce 25Mlb/y of copper, 26,000oz/y of gold and significant silver, lead and zinc by-products over a 10-year mine life, at a very attractive all-in sustaining cost of \$1.26/lb copper equivalent. The project has strong community and government support and will be Ecuador's third large-scale modern mine once in production.

Silvercorp also has the Condor gold project in Ecuador. The 2025 preliminary economic assessment outlined a high-grade underground operation producing 114,000 oz/year of gold equivalent over 13 years at an all-in sustaining cost of US\$1,258/oz, net of silver, lead, and zinc by-product credits. At a base-case gold price of US\$2,600/oz, the study generated an after-tax NPV_{5%} of US\$522 million and an IRR of 29%. The company is expected to secure permits in 2026 to begin developing tunnels to support underground exploration.