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Headline: Silver imports could rise 20%

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Coverage –

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Mumbai, Dec 10: India's silver imports may increase sharply this year as consumers, normally fond of more expensive gold, seek to lower cash outlays.

Certainly, there has been an increased interest in silver, and it's drawing interest from people who cannot afford gold, even return-wise the metal has done well, said Haresh Acharya, head of the bullion desk at Ahmedabad-based gold wholesaler Parker Agrochem.

India's silver demand averages 2,500 tonne per year and the country, which produces around 7.3 million ounces a year (206.95 tonne), according to the Silver Institute, could import 20% more this year or 1,200 tonne, the Bombay Bullion Association (BBA) says.

Around 50% of imports come from China while recycling makes up some of the supply of the metal. Silver is used in jewellery, coins and bars for investors while industry uses the metal for products from light switches to cars.

Silver prices globally and domestically are currently running near record highs—partly hauled up by gains in gold, but the poorer cousin is performing more brilliantly.

Compared with gold, the price of silver still has a long way to go, said Ronald Leung, director of Lee Cheong Gold Dealers in Hong Kong.

Spot silver traded under \$29 an ounce on Friday, just off 30-year highs above \$30. Gold was at \$1,391 per ounce, off a record high above \$1,430 hit this month.

Domestic silver prices on India's Multi Commodity



HEAVY METAL

- Record gold prices make silver an attractive alternative
- Returns on silver better than more expensive gold
- Demand recovers as monsoon rains return to normal
- Around 50% of India imports come from China
- Silver may touch Rs 50,000 or Rs 60,000 per Kg

Exchange are currently close to records at Rs 43,899 per ounce and the metal is offering better returns than gold. There is demand for silver as the sentiment in the market is that prices may go to Rs 50,000 or Rs 60,000 now, said Shekar Jog, partner at Sangli-based VS Bullion.

The BBA's president, Prithviraj Kothari, also thinks silver on the domestic market could hit the Rs 50,000-mark by the end of this year and industry players say it can still outpace gold.

Indian appetite for silver is coming partly from rural buyers as a normal monsoon in 2010 has boosted crop production with a consequent benefit to incomes after last year's severe drought shrivelled spending by farmers. Reuters