

(Reuters) - A partial recovery in consumption during the festival season is seen pushing up India's silver imports in 2010 by 20 percent on year to 1,200 tonnes, potentially supporting world prices, a trade body head said.

"Silver sales have been good this year for festivals. There has been a rise of 25 percent. Imports may also rise on the back of this to 1,200 tonnes in 2010," Prithviraj Kothari, president of the Bombay Bullion Association told Reuters in an interview.

Kothari said last year India, the world's largest consumer of the white metal, had imported 1,000 tonnes of silver.

He said the rise in India's imports are likely to support the global prices, which rallied for a seventh consecutive day to fresh 30-year highs on Tuesday, spurred by a weaker dollar and firmer industrial metals.

"We expect (international) silver to test resistance of \$32 (an ounce)," said Kothari.

Spot silver rose to an intraday high of \$30.31 an ounce before edging back to \$30.23 an ounce.

In the domestic market, silver prices on the Multi Commodity Exchange may breach 50,000 rupees (\$1,120) per kg by December-end from the current record of 45,394 rupees.

"In the past two years, silver had underperformed the market and is now playing a catch-up due to rising industrial usage of the metal, rising base metals prices," said Kothari.

Gold usually influences the white metal as investors tend to treat all precious metals as one class. But silver also takes cue from base metals, particularly copper, as it is partly an industrial metal used in photography and electronics.

In the overseas market, the world's largest silver-backed exchange-traded fund, iShares Silver Trust, said its holdings rose to 10,816.69 tonnes by Dec. 6 from 10,778.68 on Dec. 2. The holdings jumped to an all-time high of 10,893.68 tonnes on Nov. 23.

However, silver demand is recovering from an average of 2,500 tonnes market size, as rural consumers, eyeing good returns, prefer to buy the poor man's cousin to gold.

India's silver demand has emerged stronger this year as good festival sales after last year's drought brought out pent-up demand and rapidly rising prices evoked the interest of investors.

Kothari said, "added recovery in consumption could be seen if Exchange Traded Funds (ETF's) are launched."

India's Benchmark [Mutual Fund](#), which runs the country's biggest gold ETF, is awaiting the Securities and Exchange Board of India's (SEBI) nod for the launch of a silver ETF.

"With prices of silver touching its all-time high and in turn giving good returns, there has been a considerable increase in the trading activity," said Kothari.