

Lithium outlook turns bearish as prices fall

Subramani Ra Mancombu

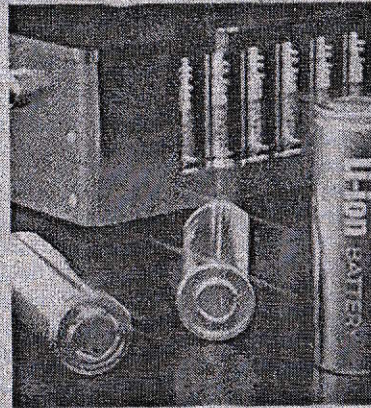
Chennai

Analyst firms are bearish in their outlook on lithium carbonate, used in producing cathodes for electric vehicles (EV) batteries, after the chemical's price dropped by about 20 per cent from the peak witnessed in November 2022. However, a couple of them are bullish.

Prices of lithium carbonate, one of the two compounds employed for making cathodes with lithium hydroxide being the other, are currently ruling at CNY 477,500 (\$70,371) a tonne from CNY 600,000 (\$88,612) in November, data from the Trading Economics website show.

CHINESE EV SALES DROP

Though lithium carbonate prices are 46 per cent higher than the year-ago period, they are down 13 per cent during the past month. Signs of supply rising and demand drop-



ping are the reasons for this fall. Trading Economics said Chinese production increased 89 per cent year-on-year in December, despite some smelters curbing production.

Another bearish factor is the Australian government's commodity forecaster, the Office of the Chief Economist (OCE), estimating global production of the chemical to rise 32 per cent from 2022 to 9,15,000 tonnes. A third factor for the decline in prices is fears over Chinese EV sales dropping after Beijing has discontinued subsidies for the

vehicles. Until the current bearish trend, which has dragged prices to nearly a five-month now, the chemical had surged 1,000 per cent since 2020. A Platts' Battery Metals Outlook Survey of 26 Asian market participants came up with a conservative view of lithium prices. Over half of the companies surveyed expect Chinese lithium prices to average below CNY 500,000 this year.

Global investment banker Goldman Sachs, in its outlook, said overcapacity and slowing EV sales could soon slow the lithium market. This is despite the banker cutting its estimate of 76,000 tonnes surplus in 2023. Credit Suisse said speculation was rife in China, one of the major cathode producers, may have cut production targets and some firms in the communist nation were forecasting the market to soften later this year.

But Switzerland's IG Bank, a unit of forex provide IG Group, differed with these

views. It said the expected Chinese slowdown — where one in three new cars sold now is an EV — is yet to materialise. "And with lithium mines requiring circa 10 years to begin producing, the lithium price could surge yet higher in 2023," it said.

Fitch Solutions Country Risk and Industry Research said lithium prices would remain elevated on "accelerating demand" in 2023 compared with 2021 and lithium carbonate prices would rule a \$55,000 a tonne (CNY 372,267).

Fitch Solution said it expects at least 11 projects to begin production in 2023 while demand continues to rise. "As a result, we forecast the market's supply deficit will widen to 3,29,000 tonnes in 2023," it said. Benchmark Mineral Intelligence, which provides market intelligence for lithium, said demand for the battery material will grow about 40 per cent in 2023 against 2022.