

Greater China EV and EV battery

Battery call key takeaways: likely inventory restocking in 2H; price rebound in 2025

Industry Overview

Inventory destocking in 2023; intensifying competition

We hosted a conference call with Mr. Ke Mo, the chief research analyst at RealLi, on China EV and EV battery industries. We summarize our key takeaways below: 1) LiB industry effectively destocked inventory in 2023, and restocking is likely in 2H24; 2) despite overcapacity, LiB industry is likely to increase capacity by 20-30% in 2024 in China, mainly from projects for local governments; 3) LiB industry continues to see fierce competition/ price war and the companies who survive will focus on technology upgrades; and 4) NEV export growth momentum is likely to slow down in 2024, given overseas governments' concern about the EV market competition and raise barriers to limit export growth from China.

Estimate 750GWh/800GWh LiB demand/supply in 2024

According to RealLi, there was around 180GWh inventory in the EV battery market by end-2022. Mr. Mo estimates the industry has LiB battery inventory destocking of 90GWh in 2023. He expects inventory destocking to end in 1H24, and EV battery makers will consider restocking in 2H24. Looking into 2024, Mr. Mo expects total LiB demand in 2024 of 750GWh, incl. EV battery 450GWh, ESS battery 150GWh, and small battery (for consumer electronics applications) 150GWh. On the other hand, Mr. Mo estimates EV battery production of 450GWh in 2024. Total LiB production would be 790-800GWh in 2024, incl. EV battery 450GWh, ESS battery 200GWh, and small battery 140-150GWh. As a result, EV battery supply/demand is likely to remain at a healthier level in 2024.

Lithium price may decline further to RMB70k/ton in 2024

In 2023, RealLi estimates lithium supply of 900k tons in China, of which 750k tons supply was for LiB use. The actual demand for LiB is estimated at 520k tons, resulting in excessive lithium supply of 200k tons. For 2024, Mr. Mo sees total lithium supply at 1mn tons, of which 900k tons will be for LiB production use, and the demand from LiB production will be 570k tons, resulting in 300k tons or above excess supply. Under such forecasts, Mr. Mo expects lithium price to continue to decline and hit RMB70k/ton in 2024, indicating battery price cut and intensified competition. The companies that survive will focus on technology upgrades, which will likely sustain battery prices. Major battery technologies include fast-charging, LMFP, M3P (CATL's LMFP), solid-state battery, sodium-ion battery, etc. Mr. Mo also expects lithium price to decline to RMB50-60k/ton in April-May 2025 and rebound afterwards.

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EV: electric vehicle

NEV: new energy vehicle

ESS: energy storage system

LiB: lithium-ion battery

LMFP: lithium manganese iron phosphate

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