

Lithium Prices Recover as China EV Sales Rebound Reigniting Investor Interest in Albemarle & Tesla

written by Matt Bohlsen | May 10, 2023

The first quarter in 2023 was a rough period for lithium stocks as the China lithium carbonate spot price crashed lower. However, the second quarter is looking a lot better.

FIGURE 1: China lithium carbonate spot prices appear to be rebounding after hitting a low in late April 2023



Source: [Trading Economics](#)

Global and China EV sales recovered

strongly in March and April 2023

March 2023 global plugin electric car sales were [over the 1 million mark](#) and were the 'second best month ever'. This was due to very strong sales in China and Europe, with the USA also contributing. It is already looking like the panic sell-off in lithium stocks has been overdone with stocks rebounding higher in the past 3 weeks.

Reports have it that Chinese lithium consumers are buying again after running down inventories in Q1/2023. Certainly, China plugin electric car sales have rebounded very strongly with over 500,000 sales in March and approximately 600,000 in April 2023. Those sales numbers are a huge increase over China's January sales which fell 8% Year-over-Year to [343,000](#) as new energy vehicle ("NEV") subsidies expired.

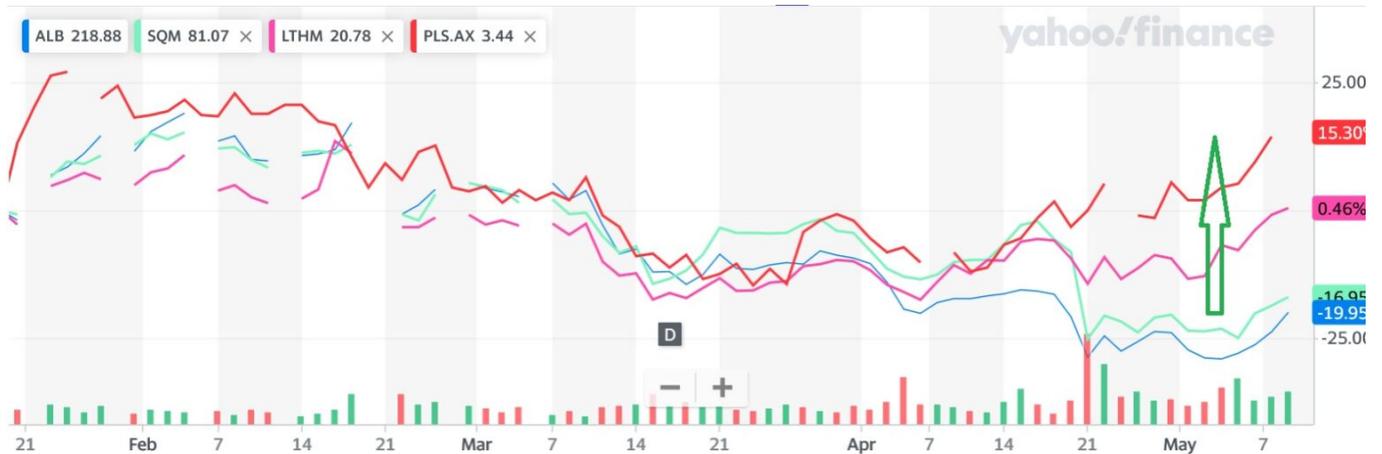
Lithium stocks rallying again

Strong EV sales in China are leading to early signs of a China lithium price recovery. Lithium contract prices remain much higher than spot prices reflecting the past lithium price rise and the strong outlook for lithium demand in 2023 and beyond.

As shown on the chart below, February, March, and April saw the leading lithium stocks (Albemarle Corporation (NYSE: ALB), Sociedad Química y Minera de Chile S.A. (NYSE: SQM), Livent Corporation (NYSE: LTHM), and Pilbara Minerals Limited (ASX: PLS)) follow spot prices lower; however, in May we can see a potential price recovery starting (green arrow in chart below).

FIGURE 2: Leading lithium stocks have been moving higher in May buoyed by improving EV sales and lithium prices (NYSE: ALB, NYSE: SQM, NYSE: LTHM,

ASX: PLS)



Source: [Yahoo Finance](https://finance.yahoo.com)

Albemarle remains very positive on the lithium market with takeover offers and expansion plans

During the lithium price collapse of early 2023, [Albemarle](https://www.albemarle.com) was moving in the opposite direction as it made several key announcements that indicated its strong belief that the lithium market would rebound. Below is a brief summary:

- March 27, 2023 – Albemarle [announced a takeover offer for Liontown Resources at a 69% premium](#) to the 30-day VWAP.
- May 3, 2023 – Albemarle [announced plans to double lithium hydroxide output in Australia](#), effectively adding 50,000 tonnes per year of lithium refining capacity at their Kemerton plant.

Furthermore, Albemarle announced on May 3, a [net sales increase of 129% for Q1/2023](#). Albemarle CEO Kent Masters [commented](#):

“Compared to last year, first quarter net sales more than doubled, adjusted diluted earnings per share more than quadrupled providing a robust start to the year. ... We see

strong sales volume growth for the rest of the year but have modified our guidance to reflect softening lithium market pricing. We remain confident in the underlying market strength of our world-class asset base and our long-term growth strategy.”

Albemarle knows the lithium market better than most, especially given it has been the industry leader for over a decade. Currently, they have numerous expansion plans globally including:

- The Salar Yield Improvement Project in Chile;
- The above-mentioned Kemerton trains III & IV lithium hydroxide production expansion in Australia;
- An under-construction lithium conversion facility in Meishan China; and,
- The Kings Mountain mine development in the USA that will eventually feed their planned new South Carolina lithium processing facility.

Added to these items is the attempted takeover of [Liontown Resources Limited](#) (ASX: LTR) for A\$2.50 or US\$1.66 per share in cash, which values Liontown at A\$5.2 billion or US\$3.4 billion on an enterprise basis, at the time of the offer.

Both Bank of America and Scotiabank have recently upgraded Albemarle. The latter assigned a [US\\$250 price target](#), which is well above the current price of US\$195 at the time of writing.

Closing remarks

Several negative events in early 2023 caused a dramatic fall in China spot lithium carbonate prices. The lithium price had increased over 10x and was due for a fall, with Q1 typically

being a weak quarter due to seasonal impacts causing lower EV sales.

Discussions about sodium-ion batteries did not help either. As it turns out, market participants are now realizing that lithium demand is still very strong, despite some short-term volatility. Sodium-ion batteries, at best, will have limited use cases in energy storage, and cheap, small EVs, mostly sold in China, due to inferior volumetric energy density.

For investors, the recent market dip in lithium stocks may prove to be a good time to go shopping. The long-term demand wave for lithium is a supercycle with 2037 demand forecast to be [35x higher](#) (according to [Trend Investing](#)) than 2020 levels.

Certainly, Albemarle, the lithium leader, remains extremely bullish on the lithium sector with a multi-billion dollar takeover offer and expansion plans.

The EV and stationary energy storage booms are here and will only grow stronger this decade. The [Tesla Inc.](#) (NASDAQ: TSLA) [Master Plan 3](#) reports that we need 240 TWh (240,000 GWh) of energy storage for the world to run on 100% renewable energy, most from lithium-ion batteries. Given global lithium-ion battery production in 2022 was only about 700 GWh you can draw your own conclusions. Albemarle and Tesla already have shown us what they think. The latter is [breaking ground on a new billion-dollar lithium refinery](#) in Texas this week.