

BASIC CHEMICALS: SODA ASH

**Soda ash prices under pressure amid
supply overhang and softening
demand**

AUGUST 2023



Highlights

Soda ash prices have come under pressure following capacity additions across China and the US, resulting in supply overhang.

Simultaneously, the demand has softened particularly in the US and the EU markets.

However, moderate energy prices will support industry profitability.

Long-term demand growth will be driven by ESG-related end users i.e. PV panels, lithium carbonate applications and flue gas treatment applications.



- Global soda ash market witnessed firm growth in the past few years and is expected to increase at around 3% CAGR during 2023-2030, on the back of improving demand from traditional end-user industries such as detergents, glass, etc., as well as emergence of new users like solar glass and lithium carbonate.



- ICRA expects prices to remain under pressure in the near term, driven by increasing capacity, demand slowdown and softening input prices. The oversupply situation is expected to sustain in the near term.



- At the global level, capacity additions of around 16 MMTPA are expected during 2023-2030, taking the total global production capacity to around 88 MMTPA from 71.5 MMTPA, while the global demand is expected to increase to around 83 MMTPA by 2030 from the present 65 MMTPA led by rising demand from the solar glass and lithium segments



- Production of Indian soda increased in FY2023 on the back of higher demand from the glass and detergent sectors, post Covid. The domestic demand growth is expected to stay healthy on the back of increasing demand from the real estate, automobile, glass and detergents sectors.



- Domestic soda ash players i.e. GHCL Limited, Tata Chemicals Limited and RSPL Limited, are planning to add capacities going forward, which in the near term will lead to surplus supplies. Over a longer-term, India will need further capacity expansions to meet the demand projected for 2030.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Sabyasachi Majumdar	Senior Vice-President	sabyasachi@icraindia.com	0124- 4545 304
Prashant Vasisht	Senior Vice-President	prashant.vasisht@icraindia.com	0124 – 4545 322
Varun Gogia	Assistant Vice-President	varun.gogia1@icraindia.com	+91 9871156542
Chinmay Sheth	Senior Analyst	chinmay.sheth@icraindia.com	079 – 4027 1500





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693377
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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