

BASIC CHEMICALS: SODA ASH

Soda ash prices under pressure amid supply overhang and softening demand

AUGUST 2023



Highlights

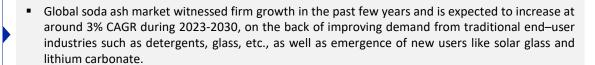
Soda ash prices have come under pressure following capacity additions across China and the US, resulting in supply overhang.

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.







 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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