What's Hot: China's anti-involution drives the lithium market

Published 15 August 2025

Tobias Lazar
Associate Director, Quantitative Research

Key Takeaways

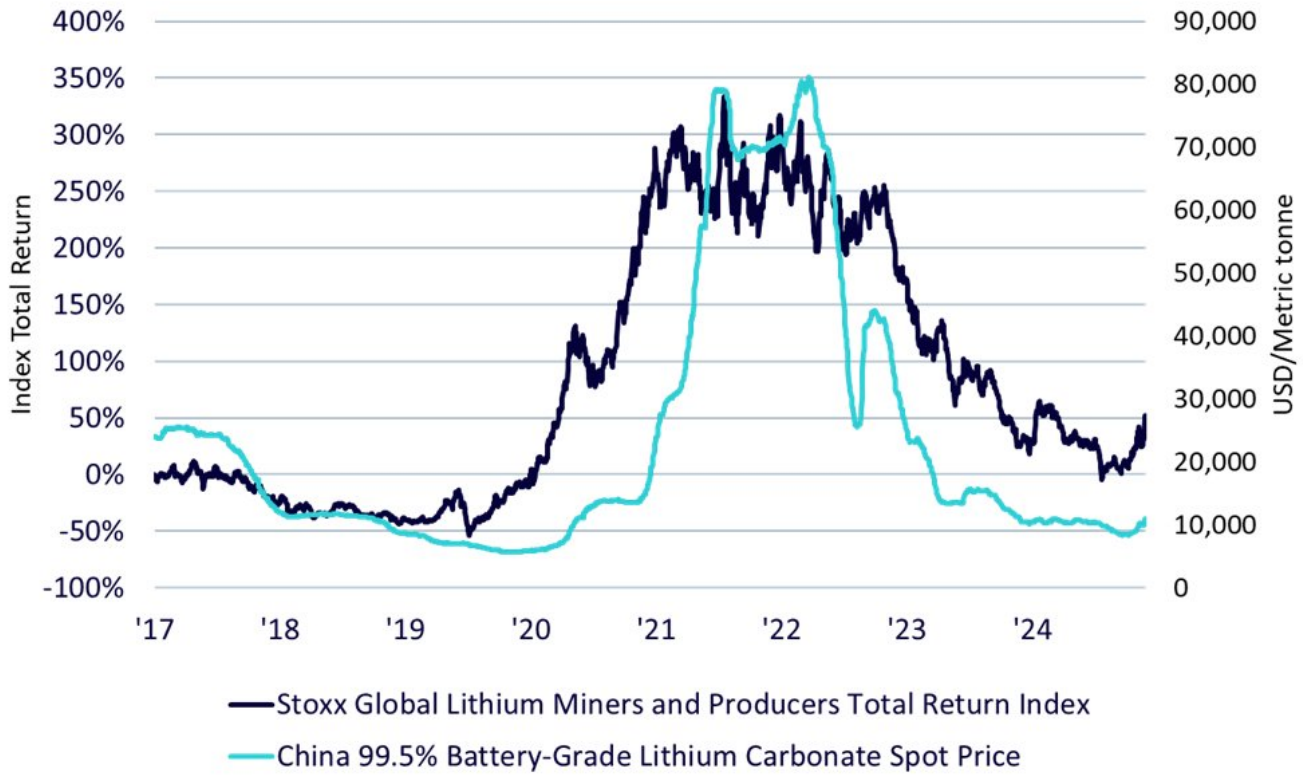
- CATL mine shutdown sparks price jump – The halt of a major Chinese lithium mine, representing around 3% of global supply, drove an immediate spike in lithium prices after a stretch of oversupply.
- Price swings have defined the lithium market – Lithium prices cycled from lows in 2020 to record highs in 2022, and back to lower levels, showing how slow supply growth and shifting demand create extreme volatility.
- China's "anti-involution" policy emerges – The move aligns with Beijing's efforts to curb overcapacity and intense price competition in key industries, including lithium mining.
- Lithium market faces ongoing volatility – While the shutdown lifted prices, new mining capacity and evolving demand trends mean the market's path to balance remains uncertain.

CATL's surprising mine shutdown

Chinese battery giant Contemporary Amperex Technology Co. Ltd. (Ticker: CATL) surprised the markets in early August when it halted operations at one of its major lithium mines in Jiangxi province. The mine's output accounts for an estimated 3% of global lithium supply.[1]

Bloomberg reported on Sunday, August 10, that the company had "failed to extend a key mining permit." By the end of the following Tuesday, the Chinese spot price for battery-grade lithium carbonate, a critical raw material used in the production of lithium-ion batteries, had jumped 8.5%. Over the same period, shares of global lithium miners and producers, as measured by the Stoxx Global Lithium Miners and Producers Index, rose 9.2%.[2]

Figure 1: Lithium miner's rollercoaster



Source: Bloomberg. Data from 18/09/2017 to 12/08/2025. Common history starts from 31/01/2008, which is the earliest available date for the timeseries. Index returns are in US dollars. **Historical performance is not an indication of future performance and any investments may go down in value.**

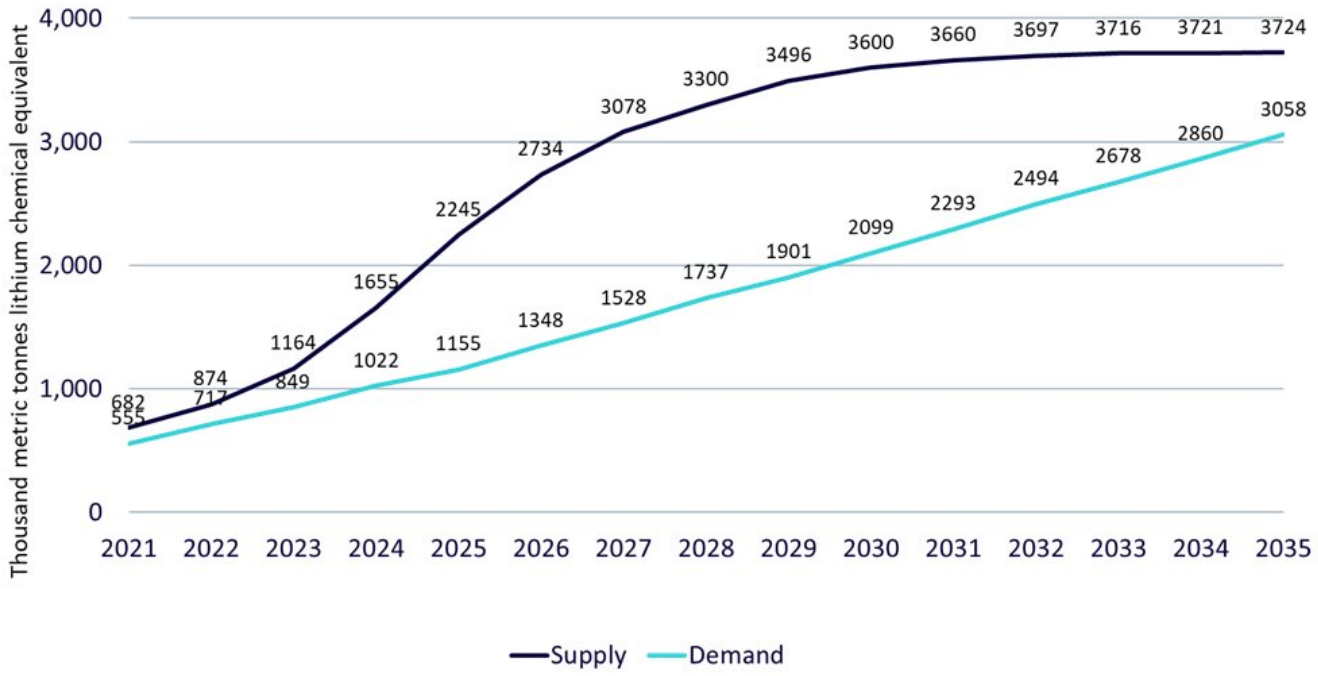
To put events into perspective, we look back to July 2020: Lithium prices for battery-grade lithium carbonate had fallen to just $5600 per metric tonne, a level caused by global oversupply and too low for lithium producers to generate profits.

About the same time, global investor focus began shifting towards the energy transition. Clean energy, green transportation, and battery technologies became one of the hottest investment themes of 2020 and 2021, with belief in the potential mass adoption of electric cars manifesting in Tesla's surging share price and global EV sales growth projections. Investors quickly realized that the key to achieving such growth was the lithium-ion battery production and thus access to lithium.

Two years and a breathtaking price rally later, the Chinese lithium carbonate spot price reached $80,000 metric tonnes, 14 times its 2020 low. In parallel, shareholders of lithium miners and producers saw their investments more than triple (Figure 1).

A key challenge of the lithium market is its price-inelastic supply, meaning production is difficult to scale quickly to meet rising demand. In 2020, experts estimated that it takes about 5 years to develop a new lithium mine.[3] Nevertheless, the newly lucrative price environment motivated miners and producers to accelerate the expansion of their capacity, leading to an almost doubling of refined lithium supply from 2022 to 2024 (Figure 2).

Figure 2: Global refined lithium supply and demand forecast



Source: Bloomberg as of 31 March 2025. The units for lithium are thousand metric tons of lithium chemical equivalent and include lithium carbonate and lithium hydroxide. **Historical performance is not an indication of future performance and any investments may go down in value.**

Once this new capacity came online, it began to squeeze margins, as lithium prices fell below $9,000 per metric tonne in 2025, levels last seen in 2020. According to energy transition expert Wood Mackenzie[4] and data from Bloomberg (Figure 2), the global lithium surplus is expected to peak only toward the end of the decade. Coupled with slower-than-expected EV sales growth in the U.S.[5], there was little to suggest a reversal in the downward trend of lithium prices.

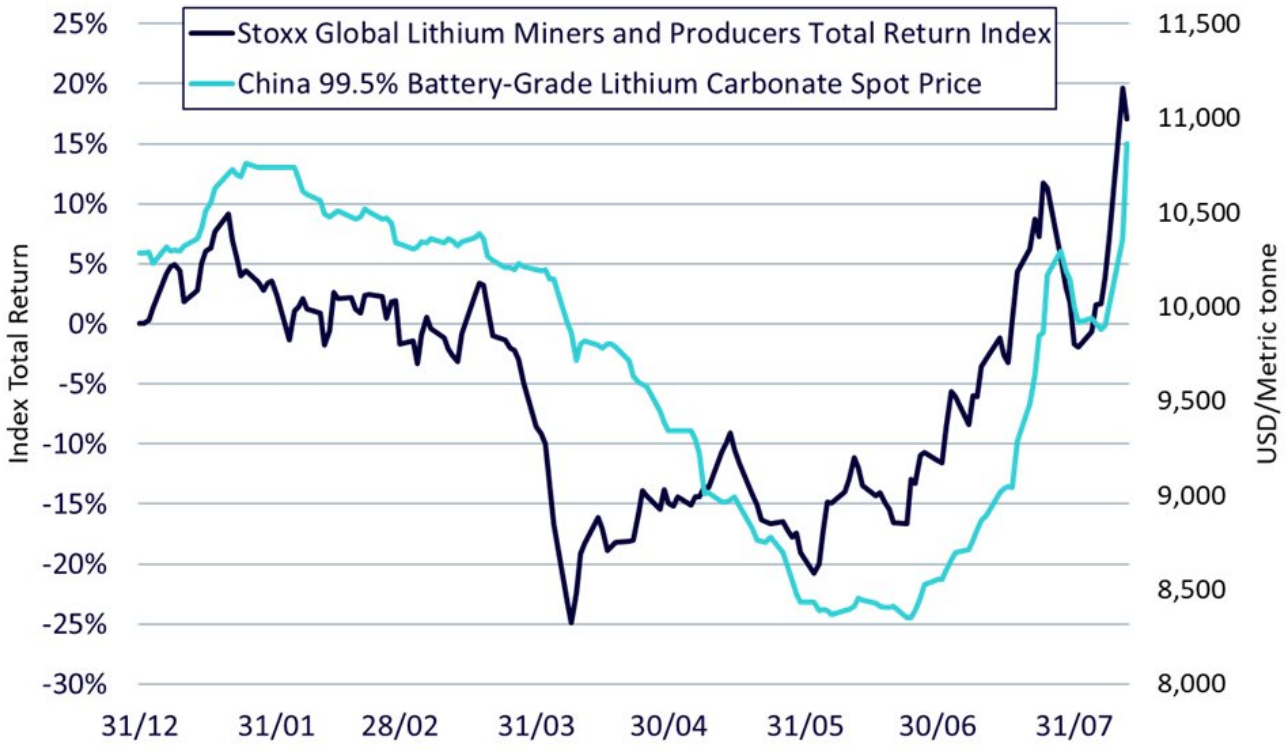
The emergence of the “anti-involution” theme

In early July, the term “anti-involution” began appearing in investment banks’ analysts’ notes and research reports, describing an emerging trend in China’s industrial policy.[6]

Loosely translated, “anti-involution” refers to efforts to combat overcapacity and intense price competition.

Lithium mining serves as a good example, with China accounting for 12% of global mining output and 53% of refined lithium carbonate and hydroxide.[7] Margins for lithium producers have been thin, and looming trade barriers could drive competition further toward the domestic market, adding pressure on local players.

Figure 3: Lithium's anti-involution



Source: Bloomberg. Data from 31/12/2024 to 12/08/2025. Index returns are in US dollars. **Historical performance is not an indication of future performance and any investments may go down in value.**

In July, news emerged that Chinese lithium miners were facing increased regulatory scrutiny, raising concerns that mining rights might be used as a tool to control supply.[8] The announcement of CATL's mine shutdown due to missing operating permits confirmed market participants' thesis on the anti-involution of China's mining industry, triggering a sharp rally in both lithium spot prices and global mining stocks (Figure 3).

With the anti-involution theme seemingly taking hold in the lithium market, it's not the only commodity where China's industry policy can alter supply and demand dynamics. For example, rare earth miners may face similar supply-side scrutiny, as China accounts for nearly 70% of global rare earth mining and almost 90% of global processing.[9]

Conclusion

The lithium market has been characterized by dramatic price swings, shifting from oversupply to tightness and back to oversupply. Lithium miners' bottom lines may find a glimmer of hope if China's emerging anti-involution policy succeeds in curbing oversupply and halting the deflationary trend in lithium prices.

The recent shutdown of CATL's mine may be a first serious indication of China's commitment to follow through. If sustained, such measures could help stabilize prices, restore margins, and potentially reshape the competitive landscape for both domestic and global lithium producers. However, with EV demand growth slowing in key markets and new mining capacity still in the pipeline, the road to balance will likely continue to be volatile.

[1] Bloomberg as of 10 August 2025
[2] Source: Bloomberg. Returns in US dollars from 8 August 2025 to 12 August 2025. Historical performance is not an indication of future performance and any investments may go down in value.
[3] Financial Times as of 3 December 2020
[4] Wood Mackenzie as of 13 May 2025
[5] Bloomberg as of 10 July 2025
[6] Bloomberg as of 13 July 2025
[7] Bloomberg as of 31 March 2025
[8] Bloomberg as of 28 July 2025
[9] The Oxford Institute For Energy Studies as of July 2023

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for

distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares.

The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to

redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports

Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.