

Recovery at North East automotive firms Gestamp Tallent and Kasai

Accounts for two of the North East's largest automotive suppliers show how the key sector is bouncing back after a difficult few years but still facing a range of challenges.

Both Gestamp Tallent and Kasai UK have seen growth in revenues after a difficult few years in which the automotive sector was hit first by the Covid pandemic and then the ensuing global shortage of semiconductors, as well as the cost-of-living crisis.

Gestamp – which employs more than 1,800 people at its plant in Newton Aycliffe, County Durham – saw revenues increase to £390.1m, though its operating losses widened to £26.1m. Washington-based Kasai, meanwhile, returned to profit after three years of losses and recorded a rise in revenues to £73.8m despite closing its second site in Merthyr, south Wales.

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The automotive sector has endured a turbulent few years as big manufacturers cut production during Covid and then struggled to return to pre-pandemic levels due to a shortage of semiconductors and other key parts. A rebound in the industry has seen UK car production increased for six consecutive months this year before a small dip in August.

In its accounts, Gestamp Tallent said: “The company has started to recover from the impact of Covid-19 following ceasing of restrictions and partial recovery in the global

supplies of semiconductors. However, the war in Ukraine has caused reduction in the supplies of certain raw materials which are essential in making motor vehicles and the rising inflation costs have had a major effect on the financial performance of the company during 2022.

“These factors are expected to continue to impact the company and its customers throughout 2023. Therefore, the directors expect sales to remain suppressed until the second half of 2023 and are taking necessary steps to protect the company, its employees and its cash flows.”

Gestamp said it was raising prices for its customers to offset its own cost increases, as well as reviewing weekly and monthly performance to “ensure the company remains a going concern.” Both Gestamp and Kasai are suppliers to the Nissan plant at Sunderland, as well as working with other firms.

In its accounts, Kasai said that a big increase in the production of parts for the Nissan Qashqai had helped the firm return to profit, along with an almost doubling of sales to Jaguar Land Rover.

It said: “Covid and its effect on the global supply of semiconductors to the automotive industry continued throughout 2021 and 2022 to cause further loss of sales volumes, however so far in 2023 we are seeing sales volumes slightly up compared to those in the business plan and this gives us confidence that we will be on target to meet our 2023 business plan.

“The ongoing situation in the Ukraine and Russia has had a minimal impact on the trading of the company as the company only supplied very small volume of parts that are sold that region. With regards to our suppliers from that part of the world, this is not currently having any impact on goods coming into the company, however we continue to monitor the situation closely.

“The current situation around spiralling inflation and the cost of living crisis in the UK and the rest of Europe continues to have an impact on the results of the company in 2023. Our suppliers are looking to pass on their own increases in costs to use and we continue to negotiate with them to limit this as far as we can.”