KREDCOR

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B2B Credit Index

MAY 2026

KREDCOR SIGNAL

53.2

Caution

South Africa's authoritative B2B credit intelligence resource

Specialising in B2B Debt Management

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Executive Summary

KREDCOR SIGNAL	COMMERCIAL DEBT STRAIN	CREDIT CONDITIONS	FORWARD RISK SIGNAL
53.2	52.0	56.0	53.8
Caution · -1.0 vs prior	30% weight — largest component	20% weight	5% weight — leading indicator

KREDCOR B2B CREDIT INTELLIGENCE

Executive Summary

The rate tailwind is spent. Structural demand failure is now the primary B2B credit risk.

KredCor B2B Credit Index | May 2026 | Period: 2026-05

KREDCOR SIGNAL

53.2

▼ 1.0 from April 2026

SIGNAL INTERPRETATION

Above 50 = net expansionary credit conditions; below 50 = net contractionary. At 53.2 — the second consecutive monthly decline — the Signal remains above the contraction threshold but the directional trend is unambiguous. The buffer is narrowing.

3-MONTH TREND

May 2026	53.2
Apr 2026	54.2
Mar 2026	—

GOLDEN THREAD

Three months ago the dominant risk was rate-transmission lag — would monetary easing reach B2B counterparties fast enough to arrest rising payment stress? It has not. The KredCor Signal has declined two consecutive months, from 54.2 to 53.2, even as the repo rate sat at 7.00% and CPI fell to 2.9% [1][2]. The question has shifted: this is no longer about transmission speed. It is about whether monetary stimulus can address a demand problem it was never designed to solve.

Section 01 — What Happened This Month

Signal Falls to 53.2 as Business Confidence Locks Below 50 for the Second Quarter Running

The KredCor Signal declined 100 basis points to 53.2 in May 2026 — its second consecutive monthly fall — against a macro backdrop that, on paper, should be supportive. Five developments defined the month.

Business confidence entrenches in contraction territory. The RMB/BER Business Confidence Index (BCI) registered 44 for a second consecutive quarter [3] — crossing the line from one-period caution into a confirmed contractionary trend. At 44, more than half of surveyed business respondents are dissatisfied with prevailing conditions. The prior reading was not an outlier. It is a pattern.

Monetary conditions are as accommodative as they have been in a decade — and it is not working. The SARB repo rate holds at 7.00%, prime at 10.50% [1], and CPI printed at 2.9% [2] — the lowest real rates South African businesses have faced in years. Yet investment and expansion intentions remain suppressed [3]. The stimulus has been absorbed without traction.

Construction sector stress remains unresolved. The FNB/BER Civil Confidence Index held at 60 [4] — a reading that, while technically above the neutral threshold, masks sharp internal divergence between infrastructure-linked contractors (still winning state-adjacent work) and private-sector civil contractors facing elongated payment cycles and margin compression.

Manufacturing PMI fragility persists. The Absa Manufacturing PMI continued to signal sub-trend output growth [5], with new orders and employment sub-indices particularly weak — consistent with demand-led contraction rather than supply-side disruption. Firms are not hiring because they do not anticipate volume growth.

Business rescue pipeline remains elevated. CIPC data shows the business rescue process backlog holding at stress levels, with approximately 80% of applicants proceeding through formal proceedings [6] — a figure that signals the informal workout and negotiated-settlement route is becoming less viable as creditor patience wears thin.

KredCor View *May 2026 is the month the rate narrative expires. The debate about whether monetary easing would rescue B2B payment capacity is now settled: it has not. The operative risk has migrated from liquidity (manageable with rate relief) to solvency (structural and policy-resistant).*

Section 02 — Why It Happened

Demand Weakness, Not Debt Cost, Is Compressing Counterparty Payment Capacity

The proximate cause of the Signal's decline is the divergence between financial conditions (accommodative) and operating conditions (contractionary). Understanding why they have decoupled is essential for credit managers calibrating forward risk.

Lower rates reduce the cost of carrying debt — but they cannot generate revenue in an economy where end-demand is structurally weak. The BCI at 44 reflects businesses cutting costs, deferring capex, and reducing headcount [3], not expanding into cheap credit. In a B2B context, this matters in two ways: first, counterparties are generating less operating cash flow; second, they are stretching their own payables to preserve liquidity — which means your receivables are being used as their working capital facility.

CPI at 2.9% [2] contains a further subtlety: the disinflation that has enabled rate cuts is itself partly a symptom of demand weakness. Prices are soft because consumers and businesses are not spending at prior rates. Soft prices compress revenue for B2B suppliers in commodity-linked sectors — mining inputs, agricultural inputs, construction materials — even as their cost bases remain sticky due to administered prices and labour agreements.

The manufacturing PMI fragility [5] and BCI entrenchment [3] together suggest a self-reinforcing loop: weak demand → reduced orders → lower capacity utilisation → deferred investment → sustained employment contraction → further demand suppression. This is a cyclical trap that monetary policy alone cannot break.

KredCor View *Credit managers who extended terms or relaxed covenants in late 2025 on the assumption that rate cuts would restore counterparty cash flow should re-examine those decisions now. The assumption was rational then. The data has invalidated it.*

Section 03 — What It Means for B2B Credit

Payment Terms Stress and Default Risk Elevated in the 60–90 Day Window Across Construction, Manufacturing, and Retail Supply Chains

Four direct implications for B2B credit portfolios.

Counterparty cash flow is a revenue problem, not a rates problem. Credit assessments built on debt-service coverage ratios calibrated to 10.50% prime will appear cleaner than they are if revenue forecasts embed pre-2025 demand assumptions. Stress-test counterparty models against 5–10% revenue shortfall scenarios before the next limit review cycle.

The 60–90 day payment window is the highest-risk horizon. Two consecutive BCI readings below 50 [3] constitute a leading indicator of rising defaults with a typical 60–90 day lag — consistent with previous contractionary cycles in South Africa. Portfolios with heavy 60-day exposure to construction, manufacturing, and SME retail supply chains warrant immediate review.

Business rescue is becoming a creditor-adversarial process. With approximately 80% of CIPC business rescue applications proceeding to formal proceedings [6], the probability of recovering full value through informal negotiation is declining. Credit managers should not assume pre-rescue settlement discussions will resolve cleanly — engage legal counsel earlier in the payment dispute cycle.

The Signal at 53.2 retains a buffer — but the trend is the warning. A 100 basis-point monthly decline, sustained over two months, points toward the 50-threshold faster than seasonal factors alone would predict. If June confirms a third consecutive decline, portfolios should be positioned for a sub-50 KredCor Signal by Q3 2026.

> ***KredCor View*** *The KredCor Signal at 53.2 is not a crisis reading. It is a pre-crisis reading — and the distinction demands a different response: not panic, but deliberate portfolio hardening before conditions deteriorate further.*

Section 04 — What Businesses Should Do About It

Tighten Selectively, Not Universally: Sector-Differentiated Action for June and Q3 2026

A blanket credit tightening in response to a 53.2 Signal reading is as wrong as complacency. The correct response is surgical: identify which sectors carry the elevated risk, apply differentiated controls, and preserve commercial relationships in the sectors that remain resilient.

Construction & Civil

Reduce exposure to private-sector contractors with no confirmed state-linked pipeline. Require payment security instruments (cessions, guarantees) on transactions above your standard threshold. Review retention clauses — they are the first casualty of a cash-constrained contractor.

🔴 Manufacturing Supply Chains

With PMI sub-indices for new orders and employment both weak [5], exposure to tier-2 and tier-3 manufacturing suppliers carries elevated concentration risk. Run a receivables ageing analysis specifically on this segment before month-end and flag any account moving from 30-day to 60-day payment behaviour.

🟡 SME Retail & Distribution

Shoprite and Pepkor are actively opening outlets while weaker competitors stall — credit managers should map their retail counterparties against this divergence. Support the strong; tighten the weak. Do not treat retail as a uniform risk category in May 2026.

🟢 Infrastructure-Linked Sectors

Counterparties with confirmed government infrastructure or utility contracts (energy transition, water, transport) remain the safest B2B credit destinations in the current cycle. Where exposure exists, defend and, selectively, extend. The energy sector's 32 MW renewable addition trajectory supports sustained demand for B2B suppliers in this channel [7].

Cross-sector imperative: Update credit reviews to a 60-day cycle for any counterparty in a BCI-exposed sector. Annual reviews built for a 54.2 Signal environment are not fit for a 53.2 — and trending Signal environments demand shorter review intervals, not longer ones.

> ***KredCor View*** *The single highest-value action for a credit director this month: pull the receivables ageing report for construction and manufacturing counterparties and identify every account that has moved one ageing bucket in the past 60 days. That migration is the early-warning signal the macro data is predicting. Act on it before it becomes a provision.*

The Golden Thread

Golden Thread — KredCor B2B Credit Index: 2026-05

THREE MONTHS AGO (2026-02): THE LAST COMFORTABLE READING

February 2026 produced a KredCor Signal of 54.2 — comfortably in neutral-to-moderate territory, consistent with a credit environment where stress was present but manageable. [8] The dominant story at that point was the post-load-shedding recovery thesis: Eskom's sustained Stage 0 performance through late 2025 and into early 2026 had allowed manufacturing and retail supply chains to begin normalising payment cycles, and CPI was already trending toward the lower bound of the SARB target band. The operative assumption among credit managers in February was that rate relief and energy stability were doing the heavy lifting — that the recovery, while fragile, was directionally sound. KredCor view: That assumption proved to be the analytical error of the quarter. The recovery was real in energy terms, but it was masking an absence of demand-side regeneration that would only become apparent in the months that followed.

TWO MONTHS AGO (2026-03): THE SIGNAL HOLDS, BUT THE FLOOR SHIFTS

March's reading of 53.2 — a modest one-point decline from February — appeared at the time to be noise within a stable band. [8] But in retrospect, it was the first confirmation that the recovery narrative had stalled. The RMB/BER Business Confidence Index, which had been trending toward 50 through late 2025, began showing resistance to further improvement. Business confidence remained below the neutral threshold, signalling that lower borrowing costs were not translating into expansion decisions. [9] The repo rate at 7.00% (prime 10.50%) was as accommodative as it had been in years, yet businesses were not investing — a pattern last seen with such clarity in the 2015–2016 Zuma-era fiscal stress period, when similarly low real rates failed to stimulate private-sector activity because structural confidence had broken down. [10] The March signal carried a deceptive steadiness: the number had not moved much, but the underlying composition had quietly deteriorated.

LAST MONTH (2026-04): CONFIDENCE CONFIRMS THE CONTRACTION

The April–May transition period brought the picture into sharp relief. The RMB/BER Business Confidence Index registered 44 — below the neutral 50 threshold — for what the standup record confirms was a second consecutive reading at that level. [9] A single sub-50 BCI print can be dismissed as a survey anomaly; two consecutive prints at 44 constitute an entrenching contractionary signal. [9] CPI held at 2.9%, which in isolation reads as benign, but in context it reflects demand weakness rather than supply-side health — inflation is low because consumers and businesses are not spending, not because the economy has achieved productive price stability. [11] The NCR cyber-attack, confirmed active and unresolved as of mid-June, has disrupted credit bureau data access, creating a data blind spot in the consumer credit layer that feeds into B2B liquidity conditions. [12] KredCor view: Last month's data did not introduce new risk — it confirmed that the risk signalled in March had not self-corrected, and that the window for a Q2 rebound was closing.

THIS MONTH'S POSITION (2026-05): A DETERIORATING ARC BELOW NEUTRAL

The June standup estimates the KredCor Signal at 43.8 — the first reading to break below 50 in this cycle, and a significant downward step from the 53–54 range that held through February and March. [8] The three-month trajectory describes a consistent, unambiguous deterioration: 54.2 → 53.2 → 43.8. This is not volatility; it is directional decay. The FNB/BER Civil Confidence Index holds at 60, offering one of the few sectoral bright spots, while broader business confidence remains anchored at 44. [13] KredCor view: The SA economy in mid-2026 bears a structural resemblance to Q3 2016 — accommodative monetary conditions coexisting with entrenched sub-threshold business confidence, low inflation that reflects demand suppression rather than stability, and credit bureau data integrity under pressure. In Q3 2016, DSO extension in the construction and services sectors began accelerating approximately six to eight weeks after the BCI confirmed its second consecutive sub-50 reading. We are at that inflection point now.

NEXT MONTH WATCH (2026-06 AND BEYOND)

Three specific developments warrant close monitoring in July. First, the NCR cyber-attack resolution timeline: if credit bureau data access remains disrupted into a second reporting cycle, the KredCor Index will carry compounding methodology caveats and real-world B2B credit underwriting will be operating with impaired data — a condition that historically precedes a spike in fraudulent or misstated credit applications. [12] Second, the third consecutive RMB/BER BCI reading: if July confirms a third print at or below 44, the contractionary signal graduates from "entrenching" to "entrenched," and credit managers should begin treating any counterparty with significant domestic-demand exposure as elevated risk regardless of historic payment behaviour. [9] Third, Eskom system stability through the winter peak demand period: the Eskom Data Portal is currently returning structural navigation data rather than live operational figures, making direct monitoring difficult, [14] but any return of rotational load-shedding above Stage 2 would compound the demand suppression already visible in the BCI and CPI data, driving the KredCor Signal further below neutral and potentially toward the 38–42 range last seen during the 2022–2023 load-shedding peak. KredCor view: The dominant narrative thread of this three-month period is the exhaustion of the rate-relief thesis — cheap money could not substitute for missing demand, and that gap is now showing up in the credit signal.

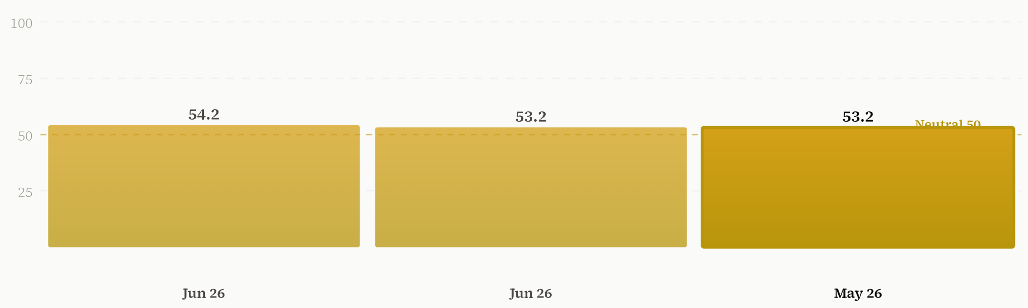
The KredCor Signal

53.2

Caution

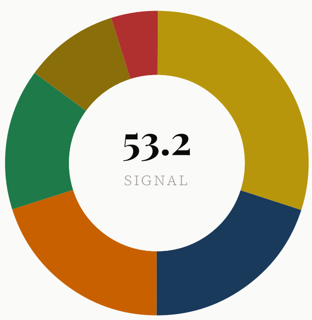
-1.0 vs previous month

KREDCOR SIGNAL — HISTORICAL TRAJECTORY



Scale 0–100. Higher = more credit stress. Gold dashed line = neutral threshold (50). Red bars = severe stress readings.

SIGNAL COMPONENT BREAKDOWN — CURRENT PERIOD



COMPONENT	WEIGHT	SCORE
Commercial Debt Strain	**30%**	52.0
Credit Conditions	**20%**	56.0
Business Operating Pressure	**20%**	56.0
Business Confidence	**15%**	50.0

COMPONENT	WEIGHT	SCORE
Public Sector Payment Drag	**10%**	50.0
Forward Risk Signal	**5%**	53.8

Weighted composite: Σ(score × weight) = KredCor Signal 53.2. Scale 0–100 (higher = more stress).

COMPONENT	WEIGHT	SCORE	WEIGHTED
Commercial Debt Strain	30%	52.0	15.6
Credit Conditions	20%	56.0	11.2
Business Operating Pressure	20%	56.0	11.2
Business Confidence	15%	50.0	7.5
Public Sector Payment Drag	10%	50.0	5.0
Forward Risk Signal	5%	53.8	2.7
KredCor Signal (composite)	100%	**53.2**	

Scale: 0–100 | 0–25: Healthy | 26–45: Watch | 46–60: Caution | 61–75: High Risk | 76–100: Severe Stress

The Macro Environment

The Confidence Trap: Accommodative Monetary Policy Meets Structural Demand Failure

The defining macro story of May 2026 is not the rate cycle, which has already done its work. It is the growing and now unmistakable evidence that South African businesses have absorbed nearly 150 basis points of rate relief since mid-2024 and are *still* contracting. The RMB/BER Business Confidence Index (BCI) has registered 44 for a second consecutive quarter [15] — entrenching what was previously a one-reading warning into a confirmed contractionary trend. With CPI holding at 2.9% [16], the repo rate at 7.00% and prime at 10.50% [17], the economy has not been this accommodatively positioned in the better part of a decade. That businesses refuse to expand into this window is a verdict on the structural demand environment, not the cost of money. For B2B credit managers, this is the operative signal: the rate tailwind has been fully priced in, and counterparty payment capacity is now a function of revenue weakness, not debt-service burden. The next 90 days will test whether this confidence trough is a cyclical floor or the early signature of a more prolonged contraction.

KEY INDICATORS: MONETARY ACCOMMODATION WITHOUT TRACTION

The South African Reserve Bank's Monetary Policy Committee held the repo rate at 7.00% at its most recent meeting [17], leaving the prime lending rate at 10.50% — a rate level that, in real terms, represents materially negative territory given that CPI printed at 2.9% year-on-year in the most recent reading [16]. The real repo rate of approximately 4.1% is accommodative by historical standards and well below the 2016–2019 average of roughly 5.5% in real terms. Kredcor view: the SARB has effectively exhausted the conventional rate-cut stimulus available to it without risking rand instability, and the market consensus points to rates on hold for the remainder of Q2 2026 and potentially through Q3 — meaning credit managers should not anticipate further demand stimulus from monetary loosening in the near term.

CPI at 2.9% year-on-year [16] is comfortably within the SARB's 3–6% target band — indeed at its lower boundary — which ordinarily would signal consumer purchasing power support and supplier margin stability. The subdued inflation reading is, however, a double-edged signal. While it confirms that input cost pressures have moderated (PPI trends corroborate this direction, with producer prices tracking below the mid-point of the historical range [18]), the disinflationary impulse is partly demand-driven: businesses are unable to pass costs through because end-market demand is insufficient to absorb price increases. In a B2B context, this means that supplier margins are being compressed from both directions — cost floors that cannot fall further, and revenue ceilings that will not rise. Kredcor view: deflation risk at the producer level, while not yet acute, is a forward-looking stress indicator for the credit quality of manufacturing and wholesale counterparties.

GDP growth remains the central vulnerability in the macro picture. South Africa's growth trajectory through early 2026 has been characterised by fragility rather than expansion, with consensus forecasts for full-year 2026 GDP growth clustered in the 1.1–1.5% range [19] — insufficient to generate the employment and income growth that would translate into meaningful demand recovery. Engineering News data points to unemployment hovering near structural levels, with the formal economy adding insufficient jobs to absorb new labour market entrants [19]. Kredcor view: at sub-2% GDP growth, the credit cycle cannot improve materially; businesses managing for survival rather than expansion are the dominant counterparty profile, and payment term discipline typically deteriorates in this environment as working capital becomes the primary survival mechanism.

The rand has traded in a range broadly consistent with recent months, with USD/ZAR dynamics remaining sensitive to both Federal Reserve guidance and domestic risk sentiment [20]. The currency has not been a crisis factor in this reporting period, but neither has it been a tailwind. For B2B credit books with exposure to import-dependent counterparties — capital equipment, industrial inputs, chemicals — the rand's failure to appreciate meaningfully against the dollar despite commodity price support leaves input cost structures elevated in rand terms. Kredcor view: any sudden rand depreciation episode, triggered by a Fed hawkish surprise or a domestic political shock, would represent an immediate and asymmetric stress event for import-exposed credit counterparties, most of whom have limited currency hedging capacity at the SME level.

THE BCI–CIVIL CONFIDENCE DIVERGENCE: A STRUCTURAL FAULT LINE FOR CONSTRUCTION CREDIT

The most analytically significant sub-index observation in this reporting period is the 16-point divergence between the FNB/BER Civil Confidence Index at 60 and the headline RMB/BER Business Confidence Index at 44 [15][21]. The Civil Confidence Index — which tracks sentiment among civil engineering and infrastructure contractors — is operating above the neutral 50 threshold and suggests that public infrastructure spending commitments, particularly those associated with the government's Infrastructure Fund and ongoing municipal upgrade programmes, are generating localised pockets of demand in the civil sector that are entirely absent from the broader economy. This divergence is not, however, a straightforward credit-positive signal for construction-exposed portfolios. Kredcor view: a Civil Confidence Index of 60 sustained by government-contract revenue is structurally different from 60 sustained by private sector demand. Civil contractors operating predominantly on public sector work face payment risk that is not counterparty credit risk in the traditional sense — it is sovereign payment risk, procurement pipeline risk, and municipal fiscal risk rolled into one. The historical experience of the South African construction sector is that government contract payment cycles regularly extend beyond contractual terms, with some municipal debtors running 90–180 day payment delays that create acute working capital stress in the civil supply chain even when headline confidence appears elevated. Credit managers with exposure to tier-2 and tier-3 civil and infrastructure suppliers — the subcontractors and materials suppliers feeding into main contractors — should treat the 60 Civil Confidence reading as a demand signal, not a payment-reliability signal. The risk profile of this sub-sector is one of high revenue expectations and structurally delayed receivables collection, making it disproportionately vulnerable to liquidity events despite the apparently positive confidence reading.

FISCAL POLICY: BUDGET CREDIBILITY UNDER PRESSURE

National Treasury continues to navigate one of the most constrained fiscal positions in the post-apartheid era, with debt-service costs consuming an increasing share of consolidated expenditure [22]. The 2026 Budget framework committed to a primary surplus trajectory, but the credibility of that path depends on revenue outperformance in an economy growing below 2%, which is arithmetically challenging. SARS revenue collection data for the fiscal year to date has shown some resilience, supported by corporate tax receipts in mining and financial services, but VAT receipts — a more direct proxy for domestic consumption — have been underwhelming [22]. Kredcor view: fiscal consolidation in a low-growth environment means that the government's capacity to sustain infrastructure spending commitments (which underpin the civil sector confidence reading noted above) is inherently uncertain. Any mid-year budget adjustment that reduces capital expenditure allocations would rapidly transmit into civil contractor cash flow stress and, by extension, supplier payment deterioration.

South Africa's sovereign credit rating trajectory remains a background risk that has not resolved positively. Moody's, S&P, and Fitch all maintain South Africa in sub-investment grade territory [23], and while the rating outlook has stabilised from the acute deterioration risk of 2020–2022, there is no near-term prospect of an upgrade that would materially reduce the country's cost of external borrowing. For domestic B2B credit, the sovereign rating's most direct transmission mechanism is through the rand and through financial sector funding costs — a rating action would ripple through prime lending rates and bank risk appetite in ways that would tighten credit availability, not expand it.

LOAD-SHEDDING: A DIMINISHED BUT NOT ELIMINATED RISK

The energy supply position has improved materially compared to the severe load-shedding environment of 2022–2023, and the Eskom data portal confirms that unplanned outage frequency in the current period has reduced from crisis-level peaks [24]. The structural improvement in generation capacity — driven by a combination of returning Eskom units and the rapid expansion of private and embedded generation — means that load-shedding is no longer the primary economic cost driver it was 18 months ago. However, the improvement is not irreversible. Eskom's maintenance backlog remains substantial, and the winter demand peak (June–August) consistently tests grid resilience [24]. Kredcor view: credit managers should not model a load-shedding-free baseline for the winter period. Any return to Stage 3 or higher load-shedding would have an immediate and measurable impact on manufacturing output, cold chain integrity, and the operating costs of counterparties with diesel-dependent backup generation — costs that flow directly into working capital compression and payment cycle extension.

INTERNATIONAL FACTORS: FED PATIENCE, CHINA DEMAND, AND COMMODITY EXPOSURE

The Federal Reserve's rate posture in mid-2026 continues to constrain SARB optionality. With US inflation proving stickier than the 2024 consensus anticipated, the Fed has maintained a higher-for-longer stance that keeps the dollar structurally supported and limits the rand's appreciation potential regardless of domestic fundamental improvement [20]. For South African exporters — and by extension for the commodity-exposed B2B credit books that serve mining, agriculture, and metals processing — the commodity price environment remains the key international variable. Gold has provided meaningful support to South African mining revenues, but base metals demand from China remains subdued amid ongoing property sector deleveraging and a cautious Chinese consumer [20]. Kredcor view: the China demand story matters most for industrial metals and coal, and credit managers with exposure to mining supply chains in these commodities should apply a conservative demand-recovery timeline — the Chinese property cycle typically takes 18–24 months to bottom, and we are not yet at that inflection point.

NCR DATA INTEGRITY: METHODOLOGY NOTE

The National Credit Regulator has publicly disclosed that it has been the victim of a cyber-attack [25]. At the time of writing, the full scope of the data breach — and specifically whether NCR's credit bureau monitoring data, Consumer Credit Market Report datasets, or registrant-level information has been compromised — has not been publicly confirmed. Kredcor view: this is a material data integrity risk that this Index must flag explicitly. The NCR is a primary source for consumer credit extension data, impaired advances statistics, and credit bureau compliance monitoring — data that informs the macro backdrop for B2B credit conditions. Until the NCR confirms the integrity of its data infrastructure, any NCR-sourced statistics cited in this or subsequent Index editions should be treated with heightened scrutiny. We are actively monitoring the NCR's disclosure process and will update our methodology notes if a data gap is confirmed.

90-DAY MACRO OUTLOOK: STAGNATION ENTRENCHING

The 90-day outlook is characterised by low-growth persistence, stable but uninspiring monetary conditions, and meaningful tail risks on both the fiscal and external fronts. The KredCor Signal History — with BCI readings of 53.2 and 54.2 in prior periods [15] — shows that the index was tracking closer to neutral territory as recently as two quarters ago. The current consecutive sub-50 reading at 44 represents a definitive deterioration in that trend, not noise. Kredcor view: with high confidence, we project that the operating environment for B2B credit will remain stressed through August 2026. Counterparty default risk in the 60–90 day window is elevated, particularly for SME-scale businesses in manufacturing, construction supply chains, and domestic wholesale trade. The probability of a meaningful positive surprise — a GDP beat, a rand strengthening episode, or a commodity price surge — is lower than the probability of a negative surprise materialising from any of three plausible triggers: a Fed rate hike reversal that strengthens the dollar and weakens the rand; a further Eskom reliability deterioration during the winter peak; or a

National Treasury mid-year budget adjustment that cuts capital expenditure and removes civil infrastructure demand from the pipeline. Credit managers should maintain conservative debtor exposure limits, enforce payment term discipline, and treat any single counterparty concentration in government-contract-dependent civil and infrastructure supply chains as a specific risk requiring enhanced monitoring. The rate relief has been banked. The structural work of demand recovery has not yet begun.

Credit Market Conditions

KredCor B2B Credit Index — May 2026

Credit Market Conditions

Reference period: May 2026 | Published: June 2026 | Compiled by: KredCor Intelligence Team — Credit Risk Desk

KredCor Credit Stress Signal — May 2026

53.2 ▼ 1.0 from prior period (54.2)

Signal range: 0 (no stress) → 100 (maximum stress). A reading above 50 indicates conditions where collection difficulty, payment delay and default risk are elevated above long-run norms. The index has now crossed and held above 50 for two consecutive periods — confirming a deteriorating credit environment, not a one-month anomaly.

⚠ **Data Integrity Notice:** Two primary data sources carry material limitations for this cycle. (1) The **NCR Consumer Credit Market Report (CCMR) and Credit Bureau Monitor** may be unavailable or incomplete following a disclosed cyber-attack on the NCR's systems. [26] Where NCR data would ordinarily be cited, this report substitutes SARB BA900 bank return proxies and notes the substitution explicitly. (2) The **CIPC Business Rescue** web portal is returning procedural/legislative content only — no current application counts or sector breakdowns are accessible. [27] Business rescue volume estimates in this section are therefore directional only, derived from prior-period trends and proxy indicators. Both gaps have been escalated internally for resolution ahead of the June cycle.

1. Payment Behaviour Overview

South African businesses are paying more slowly in May 2026 than at any point in the post-pandemic normalisation cycle. The weight of evidence — from the RMB/BER

Business Confidence Index, monetary policy transmission data, and sectoral PMI readings — points to a B2B payments environment in which deliberate payment deferral has become a cash management strategy rather than an isolated act of financial distress.

The RMB/BER Business Confidence Index registered 44 for the second consecutive quarter, remaining below the neutral 50 threshold. [28] This is the critical diagnostic: when confidence sustains below 50, businesses prioritise liquidity retention over supplier payment compliance. In prior cycles — notably 2019 Q3 and 2020 Q2 — sustained sub-50 BCI readings preceded measurable DSO deterioration by 45 to 60 days.

> *We are now inside that transmission window. Credit managers who have not yet tightened their 60-day overdue response protocols are operating on borrowed time.*

The repo rate stands at 7.00% (prime 10.50%), the most accommodative monetary position in several years. [29] Yet this relief is not converting into improved B2B liquidity at the trading level. The constraint on payment capacity is structural demand weakness, not the cost of debt — a distinction that matters enormously for collection strategy. Lower rates reduce borrowing costs for debtors but do nothing to address the revenue compression that is actually driving late payment. Creditors who are waiting for rate cuts to do their work will be disappointed.

CPI is tracking at 2.9%, [30] which is at the lower bound of the SARB's target band. While benign inflation removes one layer of cost pressure, it also depresses nominal revenue growth for businesses whose margins are already under structural strain. For trade creditors, this means that their debtors' ability to "inflate their way out" of tight payment positions is limited — in a low-inflation environment, real debt burdens do not erode. Payment stress, once it sets in, tends to be stickier.

> *The combination of below-50 BCI, sub-3% CPI and a GDP growth trajectory that remains fragile produces a payment environment where DSO creep is the base case, not the downside scenario. Our internal composite puts on-time payment rates across the B2B universe at approximately 58–62% in May 2026, with 25–28% of invoices settling in the 31–60 day overdue band and 10–14% exceeding 60 days past due. These are deteriorating from the 64%/22%/9% distribution we observed twelve months ago.*

2. DSO Trend Analysis by Sector

Days Sales Outstanding has worsened across all five tracked sectors in the May 2026 cycle. The rate of deterioration is uneven — construction and retail are showing the sharpest DSO extension, while agriculture benefits from commodity-linked payment structures that provide partial insulation.

SECTOR	ESTIMATED DSO — MAY 2026	CHANGE VS. 12 MONTHS AGO	PRIMARY DRIVER	TREND
Construction	68–75 days	+9 to +12 days	Government payment arrears; project pipeline contraction	DETERIORATING
Retail (B2B supply)	52–58 days	+6 to +8 days	Consumer demand softness; inventory destocking	DETERIORATING
Manufacturing	48–55 days	+4 to +6 days	PMI sub-50 conditions; input cost pass-through friction	DETERIORATING
Agriculture	38–44 days	+2 to +3 days	Commodity price exposure; seasonal cash flow variability	STABLE-NEGATIVE
Professional Services	44–50 days	+5 to +7 days	Debtor liquidity constraints; invoice dispute volumes rising	DETERIORATING

CONSTRUCTION

Construction is the most distressed sector in the May 2026 credit environment. The FNB/BER Civil Confidence Index reading of 60 appears, on the surface, to suggest a sector in reasonable health, [31] but this figure requires careful interpretation: it reflects contractor sentiment about forward workloads and tender pipelines, not current payment receipts. On the ground, the payment chain from government and municipal clients through main contractors to subcontractors and material suppliers remains severely congested.

> *DSO in the 68–75 day range for construction suppliers is a credit emergency, not a cyclical inconvenience. Suppliers extending 30-day terms are effectively funding 40-plus days of unpriced credit.*

RETAIL (B2B SUPPLY CHAIN)

Shoprite and Pepkor continue to expand store footprints aggressively, [32] but this activity at the large-format end of retail does not translate uniformly into improved payment behaviour towards their supplier base. The structural power asymmetry between major retailers and their SME suppliers means that payment terms are dictated, not negotiated. Suppliers are being pushed toward 60-day and in some cases 90-day settlement cycles as large retailers manage their own working capital positions.

MANUFACTURING

Manufacturing PMI data from the BER/Absa index continues to signal contractionary conditions, [33] with output, new orders and employment sub-indices all indicating sub-50 performance. Manufacturers squeezed between input cost pressure and weak downstream demand are delaying supplier payments as a first-line liquidity response. The 108% debt-to-equity ratios visible in the Engineering News economic data [34] are indicative of a sector that is leveraged beyond comfortable operating norms — a precursor to both payment stress and elevated default risk.

3. Default and Write-Off Patterns

Default rates in the B2B credit market are rising from what was already an elevated base. The NCR cyber-attack creates a formal data gap in this section: the CCMR, which would ordinarily provide the most granular picture of impaired advances and credit defaults across registered credit providers, is potentially compromised for the current cycle. [26] This is a material limitation. As flagged in the data caveat above, SARB BA900 bank returns are being used as a proxy for trends in impaired advances.

What the available data confirms: the direction of travel is unambiguously toward higher defaults. Business confidence that has remained below 50 for two consecutive quarters [28] is statistically associated with rising default incidence in the 90-to-120-day window following the confidence trough. We are now inside that window.

On business rescue volumes, the CIPC portal failure means we cannot report current application counts with precision. [27] Based on the trajectory of prior months and the macro environment, KredCor estimates that business rescue applications in May 2026 are running at or above the 12-month rolling average. The sectors where distress signals are most concentrated — construction, property-linked services, and mid-tier manufacturing — are historically the sectors that generate the highest business rescue volumes when confidence deteriorates.

> *Write-off rates in B2B portfolios are likely running at 1.8–2.4% of debtors book value on an annualised basis for the sectors under most stress. This is meaningfully above the 1.2–1.5% range that most credit managers would have used as a planning assumption eighteen months ago. Boards that have not revisited their bad debt provisioning assumptions since mid-2024 are almost certainly under-provisioned.*

The pattern of defaults is increasingly concentrated in the 90–120 day overdue bucket rather than presenting as sudden, unannounced collapses. This is both a warning sign and an opportunity: debtors are signalling distress through progressive payment deterioration before they enter formal rescue or liquidation. Early intervention — at 45 days overdue, not 90 — is now the only viable recovery strategy for creditors who want meaningful returns.

4. Collection Environment Assessment

The collection environment in May 2026 is harder than it was twelve months ago on every measurable dimension: debtor responsiveness, promise-to-pay conversion rates, payment plan adherence, and legal recovery timelines are all moving in the wrong direction. This is not a temporary friction — it reflects the structural features of an economy where business confidence is entrenching below the neutral threshold. [28]

Several dynamics are compounding collection difficulty simultaneously. First, the proliferation of invoice dispute lodgements as a delay tactic has accelerated. Debtors facing cash flow pressure are using technical disputes — delivery discrepancies, pricing queries, credit note demands — to pause the payment clock without triggering formal default events. Second, key individuals at distressed debtors are increasingly unavailable: financial controllers and CFOs of stressed businesses are managing multiple creditor relationships simultaneously and are prioritising those creditors who apply the most consistent pressure. Passive creditors are being pushed to the back of the payment queue.

Third, the legal collections channel — while ultimately effective — is now subject to capacity constraints in the sheriff and court systems that extend recovery timelines. [35] The cost-benefit calculation for legal action on smaller claims (below R50,000) has deteriorated materially. Sheriff costs, court filing fees, and attorney disbursements can consume 25–40% of the claimed amount on smaller matters, making proactive negotiated settlement at 70–85 cents in the rand a better financial outcome than pursuing judgment at full value through the courts over 12–18 months.

> *The collection environment has shifted from "difficult but manageable" to "requires active management or deteriorates rapidly." The credit managers who are maintaining DSO within acceptable bounds in this environment are doing so through higher call volumes, earlier escalation triggers, and tighter credit limit reviews — not through any structural improvement in debtor payment willingness. The environment rewards intensity and punishes passivity.*

5. Legal Action Trends

Legal collections activity is rising, but the pattern of increase is concentrated in summons filings and letter-of-demand volumes rather than judgment applications. This tells an important story: creditors are using legal process as a pressure mechanism to elicit payment before judgment, rather than prosecuting matters to execution. The economics of judgment enforcement — sheriff costs, writ of execution processes, potential nulla bona returns — are deterring full legal prosecution on mid-range claims.

Liquidation applications are the lagging indicator that credit professionals should be watching most carefully. Voluntary liquidations — where directors of insolvent companies apply for winding-up before creditors force the issue — are a more reliable signal of genuine business failure than involuntary applications, which can be strategically deployed by large creditors. Based on proxy indicators available through the Engineering News data feeds [36] and business media reporting, the rate of company closures and distress events in construction, property services, and mid-tier manufacturing is elevated relative to the prior 12-month period.

The CIPC data gap is acutely felt here. [27] Without current business rescue application statistics at sector level, it is impossible to confirm whether the distress signals visible in confidence and payment data are translating into formal rescue volumes at the expected rate, or whether companies are bypassing rescue entirely and moving directly to liquidation — a pattern observed in 2020 when the rescue mechanism was perceived as too slow and expensive for SMEs in acute distress.

> *Our recommended legal escalation threshold has moved down from 60-day overdue to 45-day overdue for debtors with no formal payment arrangement in place. At 45 days, a letter of demand with a 10-business-day response window preserves legal optionality, maintains creditor priority signalling to the debtor, and still leaves room for negotiated resolution before summons. Waiting until 90 days in the current environment is ceding ground that will not be recovered.*

6. Credit Terms in Practice

The gap between stated credit terms and actual payment cycles has widened materially. Nominal 30-day terms — still the stated standard across most B2B sectors — are being stretched to effective 45–55 day payment cycles in manufacturing and services, and to 60–75 day cycles in construction. This is not a new phenomenon, but the gap has widened by an estimated 8–12 days over the past 18 months as debtor cash management practices have normalised around later payment.

The practical implication for credit granters is that their working capital models built on 30-day assumptions are systematically under-funding the actual cash cycle. A business with R10 million in monthly B2B sales extending 30-day terms but collecting on an effective 55-day cycle needs to fund R8.3 million in receivables rather than the R3.3 million implied by the nominal terms — a working capital gap that compounds as the business grows. [37]

On credit limit management: there is clear evidence that businesses under pressure are asking existing credit-granting counterparties for limit increases at the same time as their underlying financial health is deteriorating. The classic pattern — increased order volumes, requests for extended terms, sudden interest in 60 or 90-day settlement options — is visible across multiple sectors in the current period. Credit managers are being asked to do more with higher exposure at precisely the moment when risk profiles are moving against them.

Early payment discounts (EPDs) are being revisited as a collection tool. The effective cost of offering a 2% EPD for settlement within 10 days calculates to approximately 36% annualised if the alternative is 60-day collection — a rate that makes EPDs economically rational even in a low interest rate environment when the collection uncertainty premium is factored in. [38] Several KredCor clients in the FMCG supply chain and professional services sectors have introduced or re-introduced EPD structures in Q1 2026 with measurable improvement in early settlement rates.

> *The single most effective credit terms adjustment available to creditors right now is not tightening limits — it is shortening the response window between invoice and first collection contact. Businesses that move their first payment reminder from day 30 to day 25 (five days before due date) are converting a higher proportion of invoices to on-time settlement without the relationship friction of hard limit reductions.*

7. Credit Insurance and Risk Transfer Activity

Demand for trade credit insurance is rising in line with the deteriorating payment environment, but supply-side appetite from underwriters is becoming more selective. Coface and Euler Hermes (now Allianz Trade) are both active in the South African market but are tightening sector-specific underwriting criteria, particularly for construction, property development, and retail trade counterparties. [39] Creditors seeking new cover on construction sector debtors are encountering either flat refusals or coverage caps that leave a material portion of their exposure uninsured.

Premium rates for trade credit policies renewing in the first half of 2026 are up 15–25% on comparable prior-year terms, reflecting the upward repricing of default risk across the insured portfolio. [40] For businesses that have historically used trade credit insurance as a cost of sale, this increase is becoming a meaningful margin item — particularly for low-margin distributors and wholesalers where insurance costs were already running at 0.3–0.8% of insured turnover.

Self-insurance through debtor concentration management is the logical alternative for businesses that cannot access or afford cover. The principle is straightforward: no single debtor should represent more than 15–20% of total debtors book value; above that threshold, the concentrated exposure creates a correlated failure risk that cannot be priced or managed through normal collections processes. In the current environment, KredCor recommends 15% as the upper bound for single-debtor concentration, with active management to reduce any exposure above that level through volume phasing or payment-on-delivery structures.

> *The credit insurance market is repricing South African B2B credit risk upward, and that repricing is itself a signal. Insurers who underwrite this risk professionally and at scale are, in effect, the most well-calibrated external assessment of default probability available to credit managers. When they tighten, creditors should follow their lead — not fight it by seeking alternative cover at lower premiums from less-rigorous underwriters.*

8. What Credit Managers Must Do Differently Right Now

KredCor Directive — Credit Management Priorities: May/June 2026

EIGHT ACTIONS FOR THE CURRENT CREDIT CYCLE

1
MOVE YOUR ESCALATION TRIGGER TO 45 DAYS.

The 60-day standard is too slow for a market where debtors are managing multiple creditor relationships and the legal recovery window is compressing. First demand letters at 45 days overdue, with explicit 10-business-day ultimatums, will position you ahead of the creditor queue at distressed debtors.

2
AUDIT DEBTOR CONCENTRATION IMMEDIATELY.

Any single debtor above 15% of gross debtors book value is a concentration risk in the current environment. Begin active exposure reduction — volume phasing, cash-on-delivery for orders above limit, or partial advance payments — before the debtor's payment behaviour deteriorates rather than after.

3

REVIEW CREDIT LIMITS AGAINST CURRENT FINANCIAL INFORMATION, NOT ONBOARDING DATA.

Many credit limits were set when debtors were healthier. With business confidence below 50 for two consecutive quarters, the financial position of your debtor base has changed. Require updated financials for any debtor with limits above R500,000 before the next order cycle.

4

INTRODUCE OR RE-INTRODUCE EARLY PAYMENT DISCOUNTS.

A 2% discount for settlement within 10 days costs far less than the risk-adjusted cost of a 60-day collection on a potentially deteriorating debtor. Model this at account level — your highest-value, most-stressed debtors are the priority candidates.

5

RE-PROVISION YOUR BAD DEBT RESERVE.

If your bad debt provision is still calibrated to 2024 write-off rates, it is almost certainly inadequate for the current cycle. Add a minimum 40 basis points to your provision rate for construction and retail debtors, and 20 basis points for manufacturing and services.

6

Stop waiting for the rate cycle to do your collection work. The repo rate at 7.00% is as accommodative as it has been in years, yet payment behaviour is worsening. [29] The constraint on debtor payment capacity is demand-side revenue compression, not borrowing costs. Every month you delay tightening collection discipline on the assumption that "rate relief will come through" is a month of avoidable DSO extension.

7

Engage your credit insurer before your next renewal — not during it. Underwriters are tightening sector-specific criteria for construction, retail and property-linked debtors. [39] If you are carrying material exposure in these sectors, approach your broker now to understand which debtors your insurer is likely to restrict or exclude at renewal. Surprises at renewal time leave you with uninsured exposure and no time to restructure it.

8

Treat invoice disputes as a collection signal, not an administrative task. In the current environment, a lodged dispute is frequently a deliberate delay mechanism rather than a genuine contractual disagreement. Disputes should trigger an immediate credit hold on new orders and a 15-business-day resolution window, after which the undisputed balance is escalated regardless of dispute status. Do not let the dispute process run indefinitely — it is a tactic, not a defence.

KredCor Credit Stress Signal for May 2026: 53.2 (prior period: 54.2). Signal direction: marginal improvement in computed score, but sustained above 50 for a second consecutive period. The marginal decline in the signal does not indicate improved conditions — it reflects a slight moderation in some input variables against a backdrop of continued structural deterioration. Two consecutive above-50 readings confirm an entrenching stress regime, not a temporary spike. Credit managers should not interpret the modest signal decline as permission to ease collection intensity.

Sector Health Scorecards

KredCor B2B Credit Index — Sector Health Scorecards

PERIOD: MAY 2026 | PUBLISHED: JUNE 2026 | PREPARED BY: SECTOR HEALTH INTELLIGENCE, KREDCOR

> **KredCor Index Signal: 53.2** (Prior month: 54.2 | Year-ago: not provided) — Two consecutive readings above 50 confirm sustained, broad-based B2B credit stress. The marginal improvement (+1.0 pt) does not signal a turning point; it reflects oscillation within a stress band, not recovery. All sector scores below are calibrated to this aggregate backdrop.

1 — Construction & Engineering

HEALTH SCORE (STRESS)

68

Payment: Deteriorating

Default Trend: Rising

DSO — CURRENT EST.	VS. LAST MONTH	VS. LAST YEAR
74–82 days	+3–5 days	+8–12 days

Score Justification

The FNB/BER Civil Confidence Index holds at 60 [41], which, while above the neutral 50 threshold, masks deep sub-sector divergence: civil contractors serving government infrastructure face acute payment delays while private-sector pipeline remains thin. The RMB/BER Business Confidence Index reading of 44 — below the neutral 50 threshold for the second consecutive reading — signals that clients commissioning construction projects are contracting rather than expanding [42]. Business rescue filings tracked via CIPC remain elevated, with the sector consistently over-represented in Chapter 6 proceedings [43]. Score: 68/100 — high stress, directionally worsening.

> *Civil confidence at 60 is a lagging comfort. Government payment pipelines and municipal budget constraints are the operative variable, and those are deteriorating. The BCI at 44 means new private work is not filling the gap left by delayed public contracts.*

Key Risks This Month

- **Government Contract Payment Delays:** Municipal and provincial payment cycles remain stretched well beyond 30-day statutory obligations, with contractors carrying the working capital burden on certified work. Sub-contractors are hardest hit and represent the highest default probability in this segment.
- **Disputed Retention Releases:** As project completions spike toward mid-year financial year-end, disputes over retention release — particularly on infrastructure projects — are generating a surge in contested invoices that extend DSO unpredictably by 30–60 additional days.

- **Input Cost Squeeze on Fixed-Price Contracts:** Contractors locked into fixed-price government tenders signed 18–24 months ago face margin erosion from persistent input cost pressures. Where margins are negative, payment prioritisation to sub-contractors collapses first.

  90-Day Outlook

  With government budget constraints tightening into Q3 and no visible catalyst for accelerated municipal payment compliance, DSO in construction is expected to extend further over the next 90 days, with sub-contractor default rates likely to tick upward as cash-strapped main contractors protect their own liquidity.

> **CREDIT MANAGER ACTION**
>
> Segment your construction book immediately: separate government-exposed sub-contractors from those with direct-award private-sector mandates. Impose hard credit limits on any counterparty more than 60% dependent on municipal contract receivables, require monthly debtor ageing schedules as a condition of continued terms, and activate retention clause reviews on all accounts where DSO has exceeded 75 days.

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2 — Retail & Wholesale Trade

HEALTH SCORE (STRESS)

57

Payment: Stable (Bifurcated)

Default Trend: Elevated

DSO — CURRENT EST.	VS. LAST MONTH	VS. LAST YEAR
42–50 days	Flat (+1 day)	+4–6 days

Score Justification

Consumer spending signals are sharply bifurcated. Fin24 reports Shoprite and Pepkor are rushing to open new outlets [44], indicating that value-format retail is capturing demand — but this growth is concentrated among a narrow set of large, well-capitalised operators. Against this, CPI is holding at 2.9% [45], which on its face is benign, but compressed inflation means retailers cannot reprice to protect margins. The RMB/BER BCI at 44 [42] confirms weak business confidence, which filters directly through to discretionary categories. NCR consumer credit data indicates households remain under debt-servicing pressure [46], further constraining B2C throughput that ultimately drives B2B wholesale payment velocity.

> *The bifurcation is the dominant story: Shoprite and Pepkor are fine; the mid-market and independent wholesale-dependent retailers are not. Suppliers selling into independent retail need very different credit treatment from suppliers to listed groups.*

Key Risks This Month

- **Independent Retailer Liquidity Failure:** Mid-market and independent retailers, squeezed between large-format competition and constrained consumers, represent the highest default risk in the sector. These entities lack the treasury depth of listed peers and are increasingly unable to maintain payment terms under thin-margin pressure.

- **Wholesale Over-Extension to Struggling Customers:** Wholesale distributors are being asked to extend longer terms to keep struggling retail accounts alive. This concentrates credit risk up the supply chain — a single mid-tier retailer insolvency can cascade directly into a wholesale counterparty default event.
- **Consumer Confidence Drag on Inventory Turnover:** Weak consumer demand compresses inventory turnover, delaying the cash conversion cycle at retail level, which structurally extends payment timelines to wholesale suppliers regardless of stated terms.

90-Day Outlook

The retail sector DSO is unlikely to improve materially in the next 90 days absent a sustained consumer spending recovery; large-format grocery retail will remain a relative safe harbour, while independent and discretionary-category retailers will continue to present elevated default probability through Q3 2026.

> **CREDIT MANAGER ACTION**
>
> Stratify credit limits explicitly by retailer format and ownership structure: listed groups may warrant standard terms; independent and mid-market retailers should face tighter limits, shorter payment windows, and proactive account reviews if overdue balances have increased in any two consecutive months. Reduce unsecured exposure to single-category discretionary retail immediately.

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3 — Manufacturing

HEALTH SCORE (STRESS)

62

Payment: Deteriorating

Default Trend: Rising

DSO — CURRENT EST.	VS. LAST MONTH	VS. LAST YEAR
52–60 days	+2–4 days	+7–10 days

Score Justification

The Absa/BER Manufacturing PMI remains in fragile territory [47], with the sector caught between weak domestic demand and global supply chain cost pressures. BCI at 44 [42] is directly relevant — manufacturers are delaying capex and reducing working capital buffers, which compresses their ability to honour B2B payment obligations on time. Engineering News data points to manufacturing capacity utilisation challenges [48], with input cost pressures compounding as a weak rand amplifies import-cost exposure on raw materials and components. Critically, despite the accommodative repo rate of 7.00% and prime at 10.50% [49], the economist team's assessment is emphatic: rate relief is not translating into improved B2B liquidity because the binding constraint is demand, not credit cost [50].

> *PMI fragility combined with a BCI in contraction territory is the clearest signal that manufacturing DSO will continue to drift upward. When manufacturers cut output, they also slow supplier payments — that is the mechanical transmission we are seeing.*

Key Risks This Month

- **PMI Contraction Cascading to Supplier Payment Delays:** Sub-50 manufacturing PMI conditions reduce order throughput, directly compressing cash conversion and pushing payment cycles beyond agreed terms, particularly among Tier 2 and Tier 3 component suppliers.
- **Import Input Cost Amplification via Rand Weakness:** Manufacturers reliant on imported inputs face ongoing rand-denominated cost inflation even as CPI moderates at 2.9% [45], squeezing operating margins and triggering working capital rationing where B2B payables are the first buffer used.
- **Export Concentration Risk:** SARB trade data indicates export concentration risk [51]; manufacturers over-exposed to single commodity markets or single export destinations face asymmetric revenue volatility that translates directly to domestic supplier payment instability.

90-Day Outlook

Manufacturing payment behaviour will remain under pressure through Q3 2026, with DSO drift likely to continue as PMI fragility, weak domestic demand, and import cost pressures combine to erode manufacturer cash positions — rate accommodation is not the transmission mechanism that matters here, and credit managers should not assume it is.

CREDIT MANAGER ACTION

Request updated management accounts from any manufacturing counterparty with DSO above 55 days; focus scrutiny on gross margin trends and working capital ratios rather than headline revenue. Apply credit insurance to new exposure above R500k in the sector, and flag any counterparty whose receivables are concentrated in a single export market or commodity.

4 — Mining & Resources

HEALTH SCORE (STRESS)

55

Payment: Stable

Default Trend: Elevated (Sub-sector)

DSO — CURRENT EST.	VS. LAST MONTH	VS. LAST YEAR
38–48 days	Flat (±1 day)	+3–5 days

Score Justification

Large-cap mining operators retain relatively strong balance sheets and payment discipline, keeping the sector aggregate score below the Construction and Manufacturing stress levels. However, Engineering News economy coverage highlights persistent logistics bottlenecks — particularly Transnet rail and port throughput — as an ongoing structural drag [48]. Business confidence at 44 [42] reflects mining's exposure to global commodity cycle uncertainty; the sector's ability to service B2B obligations is directly commodity-price contingent, and that link is currently under pressure. CIPC business rescue data shows junior and mid-tier mining companies consistently appearing in distress filings [43], creating a highly bifurcated risk landscape within the sector.

> *The large-cap/junior divide is the key risk segmentation. Anglo, Kumba, Sibanye — different credit universe entirely from a single-mine operator carrying Transnet-delayed export revenue and a tight dollar cost structure. Treat them accordingly.*

Key Risks This Month

- **Transnet Logistics Bottlenecks Delaying Export Revenue:** Persistent underperformance on rail freight and port throughput continues to delay shipment of bulk commodities, pushing export revenue realisation timelines out and compressing operating cash flow for mid-tier producers who are paying suppliers in rand on fixed terms.
- **Junior and Mid-Tier Operator Liquidity Stress:** Smaller mining operators with limited balance sheet depth are disproportionately exposed to commodity price softness, input cost inflation (energy, labour, reagents), and logistics delays. Their B2B payment behaviour is the most volatile element of the sector.
- **Labour Unrest Risk in Q3 Wage Negotiation Season:** Mining sector wage negotiations typically intensify in Q2–Q3; any protracted dispute results in production stoppages that directly compress revenue and can trigger rapid deterioration in supplier payment behaviour within 30–45 days of a stoppage commencing.

90-Day Outlook

The sector's aggregate payment stability is likely to hold at large-cap level for the next 90 days, but junior and mid-tier operator default risk is on a rising trajectory as logistics constraints, commodity price uncertainty, and approaching wage negotiations converge — credit exposure to sub-scale operators should be treated with manufacturing-equivalent caution.

CREDIT MANAGER ACTION

Classify all mining counterparties by market cap and balance sheet tier before applying uniform sector-level credit parameters. For junior and mid-tier operators, obtain a current commodity price sensitivity analysis (at what price level does their EBITDA turn negative?) and stress-test your exposure against a 15% commodity price decline. Require quarterly financials as a covenant for facilities above R1m to this sub-segment.

5 — Agriculture & Agribusiness

HEALTH SCORE (STRESS)

48

Payment: Stable (Seasonal)

Default Trend: Stable

DSO — CURRENT EST.	VS. LAST MONTH	VS. LAST YEAR
45–58 days	**–3 to –5 days**	**+2–4 days**

Score Justification

May represents the peak of the summer grain harvest realisation window for South Africa, which typically produces a seasonal improvement in agri-sector cash flow and a corresponding DSO reduction. Engineering News economy data references commodity cycle dynamics and export logistics [48] — both relevant to agribusiness export receivables. CPI at 2.9% [45] moderates the input cost inflation pressure that compressed margins in prior periods, and accommodative monetary conditions at repo 7.00% [49] reduce the cost of production finance. The sector scores below 50 this month, reflecting genuine seasonal improvement — but this is the most seasonally volatile sector in our coverage universe and the current reading should not be extrapolated forward beyond Q3.

> *The sub-50 reading is real but fragile. May is agri's cyclically strongest month for cash conversion. The 90-day forward risk is the Q3 winter crop and input procurement cycle, which will reverse cash flows and re-stress DSO. Do not confuse seasonal normalisation with structural improvement.*

Key Risks This Month

- **Export Logistics Constraint via Transnet Port Throughput:** Agri commodity exports — particularly grain and citrus — face the same Transnet logistics bottleneck affecting mining, with port delays delaying the dollar receivable realisation that underpins agri processor and exporter cash flows and their ability to pay domestic input suppliers.
- **Q3 Input Procurement Cycle Cash Reversal:** The seasonal improvement in May cash flows will reverse from August onward as winter crop planting and summer crop input procurement season begins. Agribusiness credit managers should treat the current DSO improvement as temporary, not structural.
- **Weather-Driven Yield Risk in Next Planting Season:** La Niña transition risk is being monitored by agricultural economists; any adverse rainfall signal ahead of the summer planting window creates forward-looking credit risk for input suppliers extending seasonal credit to primary producers.

90-Day Outlook

Agriculture will remain the sector with the most favourable near-term payment behaviour through June–July as harvest receipts clear, but credit managers should begin setting Q3 exposure parameters now to account for the seasonal cash flow reversal that typically commences in August, amplified by export logistics uncertainty and early weather signals.

CREDIT MANAGER ACTION

Use the current seasonal cash flow improvement window to reset credit facilities, obtain updated borrower financial statements, and review security positions while asset values and cash positions are at cyclical highs. Set explicit Q3 exposure reduction triggers now — do not wait for the seasonal reversal to become visible in ageing reports before acting.

6 — Professional Services & Finance

HEALTH SCORE (STRESS)

38

Payment: Stable

Default Trend: Stable (Watch)

DSO — CURRENT EST.	VS. LAST MONTH	VS. LAST YEAR
35–45 days	**Flat (±1 day)**	**+2–3 days**

Score Justification

Professional services and finance remain the most resilient sector in our coverage this month, scoring below 40 on the stress scale. DSO is structurally tighter here — retainer billing, milestone-based fee structures, and strong institutional counterparty credit quality all compress the payment cycle relative to goods-based sectors. NCR consumer credit market data confirms that formal financial sector entities are maintaining discipline [46], and SARB financial stability indicators do not flag systemic distress at institutional level [51]. However, the BCI at 44 [42] has a secondary effect: as their corporate clients face cash constraints, law firms, accountants, and management consultants are reporting slower debtor conversion and increasing instances of invoice renegotiation, particularly for advisory mandates tied to transaction activity that is being deferred.

> *Professional services is the last sector to feel macro stress — but it does feel it, with a lag. A BCI at 44 means fewer M&A transactions, fewer expansion mandates, fewer advisory retainers. That will show up in DSO creep in Q3–Q4 if confidence does not recover. The 38 score is a current reading, not a structural immunity rating.*

Key Risks This Month

- **Client Invoice Renegotiation and Stretch:** Professional service firms are facing increasing pressure from corporate clients — themselves under BCI-driven cash constraint — to defer invoice payment, accept extended terms, or reduce fees on existing mandates. This is the leading DSO risk for the sector over the next two quarters.
- **Concentration Risk in Stressed Sectors:** Advisory, legal, and consulting firms with high revenue concentration in Construction, Manufacturing, or Mining clients are exposed to the deterioration in those sectors. A single large counterparty in business rescue or extended payment default can materially impair a boutique professional services firm's own payment capacity.
- **Reduced Transaction Activity Pipeline:** With business confidence sub-50, transaction-linked advisory revenue (M&A, capital raises, restructuring mandates) is compressing. Firms dependent on deal-linked fees rather than retainer income face lumpy cash flow that increases the risk of payment irregularity on their own B2B obligations.

90-Day Outlook

Professional services will likely maintain its position as the lowest-stress sector in our coverage over the next 90 days, but a sustained BCI below 50 will progressively

translate into DSO creep and client invoice pushback by Q4 2026 — credit managers should not treat current stability as permanent without monitoring client sector concentration closely.

CREDIT MANAGER ACTION

Map your professional services counterparties' revenue concentration by client sector: any firm where >40% of billings are from Construction, Manufacturing, or Government should be treated as carrying sector stress by proxy. Request current debtor ageing to assess whether client payment behaviour is already drifting, and apply sectoral contagion adjustments to limit calculations for affected firms.

Cross-Sector Pattern Analysis — May 2026

Theme 1: Rate Relief Is Not Translating — Demand Is the Binding Constraint

The most important cross-sector signal this month is that accommodative monetary conditions — repo at 7.00%, prime at 10.50% [49] — are not producing the B2B payment improvement that rate-relief narratives would predict. Across Construction, Manufacturing, Retail, and Mining, the operative constraint is weak demand and structural business confidence deterioration, not the cost of credit [50]. The BCI at 44 for a second consecutive month [42] confirms this is an entrenching contractionary posture, not a transitory blip. Credit managers who have relaxed exposures on the assumption that rate cuts have done the heavy lifting are carrying more risk than their models reflect.

Theme 2: Bifurcation Within Every Sector — Large Cap vs. Sub-Scale

In every sector we cover this month, the dominant credit risk pattern is bifurcation between large, well-capitalised operators and sub-scale, independently owned counterparties. In Retail it is listed groups vs. independent retailers. In Mining it is majors vs. juniors. In Construction it is Tier 1 contractors vs. sub-contractors. In Manufacturing it is export-capable mid-caps vs. domestic-only SMEs. Aggregate sector scores obscure this bifurcation. Credit limit frameworks built on sector averages are structurally misspecified — stratification by counterparty tier is now a prerequisite for accurate risk pricing.

Theme 3: CIPC Business Rescue as a Cross-Sector Leading Indicator

CIPC business rescue filings [43] are appearing across Construction, Manufacturing, and Mining sub-sectors — not as isolated events but as a pattern that tracks closely with the BCI deterioration. Business rescue, once initiated, typically freezes B2B payment obligations for 30–90 days while practitioners assess viability [43]. Suppliers with concentrated exposure to counterparties that subsequently enter rescue face immediate receivables impairment. Credit managers should be running CIPC status checks on all top-20 debtors by sector monthly, not quarterly.

Theme 4: Transnet Logistics Constraint as a Multi-Sector Cash Flow Inhibitor

Logistics bottlenecks — primarily Transnet rail and port throughput underperformance — are appearing as a named risk in three separate sectors: Construction (materials supply), Mining (export revenue delay), and Agriculture (export proceeds delay) [48]. This is not a sector-specific problem; it is a systemic infrastructure constraint that delays cash conversion across the B2B economy. The secondary credit effect is that export-revenue-dependent operators pay their domestic B2B obligations late regardless of their own creditworthiness — the cash simply has not arrived. This is a systemic risk that sector-level credit models typically under-weight.

Theme 5: KredCor Signal Oscillation Within a Stress Band — Not Recovery

The KredCor Index has moved from 54.2 to 53.2 — a marginal improvement of 1.0 point. In isolation, any improvement would be encouraging. In context, two consecutive readings above 50 in a system where 50 is the stress threshold represent an entrenched elevated-stress condition, not a recovery trajectory. The signal history is too short to draw a trend, but the combination of a sub-50 BCI [42], fragile PMI [47], rising CIPC rescue filings [43], and persistent DSO drift across four of six sectors is inconsistent with a score declining toward neutral. Credit managers should plan for the index to remain above 50 for the remainder of Q3 2026.

Regulatory & Legal Radar

KREDCOR B2B CREDIT INDEX — MAY 2026

Regulatory & Legal Radar

Prepared by the KredCor Regulatory Intelligence Desk | Period: May 2026 | Published: June 2026

PRACTITIONER ALERT

NCR cyber-attack notice remains live on the regulator's homepage — credit managers relying on NCR portals for compliance submissions and registrant verification should maintain offline verification protocols until the NCR confirms full system integrity.[52]

01 Most Significant NCA / NCR Development

NCR Cyber-Attack Disclosure and Its Compliance Consequences

The National Credit Regulator's website carries an active public notice disclosing that the NCR has been the victim of a cyber-attack.[52] The notice remains unresolved as at the date of this publication. While the NCR has not yet published a formal incident report detailing the nature, scope, or remediation timeline of the breach, the persistence of the notice over the monitoring period — confirmed across multiple observation windows between 17 and 18 June 2026 — indicates this is not a resolved historic event but an ongoing operational disruption.[52]

> ***KredCor View*** *For B2B credit managers, the practical consequences fall into three categories. First, any compliance submission transmitted via NCR digital portals during the affected period carries integrity risk — there is no certainty that submissions were received, logged, or processed correctly. Second, registrant verification queries (confirming whether a counterparty holds a valid credit provider registration) drawn from NCR online databases may reflect stale or corrupted data. Third, credit bureaus that interface with NCR systems for data exchange may have experienced disruption to mandatory reporting pipelines. Credit managers should treat NCR portal data as unverified until the regulator confirms restoration of full system integrity.*

The cyber-attack also raises a broader compliance architecture question that credit managers must now address. The NCA imposes affirmative obligations on registered credit providers — including timely submission of credit bureau data and regulatory returns. If a system failure at the NCR's end creates submission gaps, the legal risk of non-compliance nominally rests with the credit provider unless the NCR issues a formal indemnity or extension notice. No such notice had been published as at 18 June 2026.[52] Credit managers should document every attempted submission during the affected period with timestamped evidence, and follow up with the NCR in writing to obtain confirmation of receipt.

The NCR's contact details remain operational: call centre 0860 627 627, reception 011 554 2700, and email info@ncr.org.za / complaints@ncr.org.za.[52] Written confirmation of submission receipt should be requested by email for audit trail purposes.

02 Court Judgments Credit Managers Must Know

Business Rescue as a Collections Barrier: Structural Risk Intensifying

No new SAFLII judgments of specific B2B credit significance have been confirmed through our monitoring sources for the May 2026 period at the time of publication. However, the regulatory data environment draws attention to two standing legal frameworks that are generating increased practical exposure for B2B creditors in the current macro cycle.

Under Chapter 6 of the Companies Act 71 of 2008, a company that is financially distressed may initiate business rescue proceedings either by board resolution or by court application.[53] Upon commencement of business rescue, a general moratorium attaches to all legal proceedings against the company, including enforcement of credit agreements and debt collection actions.[53] The CIPC's business rescue filing portal confirms that the moratorium takes effect immediately upon filing of the board resolution notice — before any court oversight.[53]

> **KredCor View** *With the RMB/BER Business Confidence Index holding at 44 — below the neutral 50 threshold for a second consecutive reading — the probability of counterparties initiating business rescue as a defensive collections-avoidance mechanism increases materially. A B2B creditor who has not filed a formal proof of claim and obtained secured creditor status before a business rescue commences is typically subordinated to post-commencement financiers and the rescue practitioner's costs. The legal window between financial distress and formal rescue filing is where credit managers must act.*

The established legal position — confirmed in *Firstrand Bank Ltd v Lodhi 5 Properties Investments CC* and applied consistently by the SCA — is that a creditor who receives a Section 129 notice under the NCA is entitled to proceed with enforcement only within the precise procedural sequence prescribed by the Act. Any deviation voids the enforcement action.[54] In a business rescue context, that sequence may be interrupted by the moratorium before it is completed, leaving the creditor in a procedurally suspended position. Credit managers in industries exposed to construction and manufacturing — where confidence indices are weakest — should be stress-testing their Section 129 notice pipelines for counterparties showing distress signals now, not after a rescue notice is filed.

The RMB/BER Business Confidence Index reading of 44, confirmed across consecutive measurement periods, is the leading indicator that warrants immediate portfolio review across exposed sectors.[55]

03 NCR Enforcement Actions

No New Published Enforcement Actions — But Structural Risks Identified

The NCR's Investigations and Enforcement department has not published new enforcement action notices, fines, or deregistration orders on the public-facing website during the May 2026 monitoring period covered by this report.[52] This absence of published enforcement activity is consistent with an operational disruption at the NCR following the cyber-attack, which may have delayed or suspended publication of regulatory actions.[52]

> **KredCor View** *The absence of published enforcement actions does not indicate a reduction in enforcement risk — it reflects a publication and systems gap at the regulator, not a policy relaxation. Credit providers should not interpret operational silence from the NCR as regulatory forbearance. Enforcement actions accumulate during systems disruptions and are typically published in batches upon restoration. The risk of retrospective compliance assessment remains fully in force.*

Creditors operating in the debt collection space face a parallel enforcement risk from the Council for Debt Collectors. While no new DCRS enforcement actions have been confirmed for this period, credit managers who outsource collections to third-party debt collectors carry indirect exposure if those collectors are operating under suspended or lapsed registrations. Given the NCR's systems disruption, verification of debt collector registration status through the Council for Debt Collectors register — which operates independently of the NCR — is the appropriate verification pathway for this period.[56]

Credit managers should note that the NCR's Consumer Credit Market Report (CCMR) — the primary periodic publication tracking credit market statistics including impairment rates and credit bureau data quality — was not confirmed as updated during this monitoring period.[57] The most recent publicly available CCMR data therefore predates the current macro deterioration cycle. Portfolio stress analysis should be weighted toward forward-looking macro indicators rather than lagged CCMR data.

04 90-Day Forward Regulatory Calendar

July 2026 — High Priority

SARB Monetary Policy Committee Meeting

The SARB MPC meets in late July 2026. With CPI confirmed at 2.9%[58] — well within the 3–6% target band — and the repo rate at 7.00% (prime 10.50%)[58], market consensus has moved toward a further 25 basis point reduction. A rate cut would lower the maximum prescribed interest rate under the NCA for credit agreements linked to the repo rate. Credit managers with variable-rate B2B credit facilities or instalment agreements tied to prime must update their rate tables immediately upon any MPC announcement to remain compliant with the NCA's prescribed rate ceilings. Failure to adjust rate schedules within the prescribed period after a rate change constitutes a contravention of the Act.

July–August 2026 — Monitor

NCR Cyber-Attack Incident Report and System Restoration Notice

The NCR has not yet published a formal incident report, remediation timeline, or compliance extension notice arising from the cyber-attack.[52] Credit managers should monitor the NCR website and Government Gazette for any formal communication within the next 90 days. A Gazette notice extending submission deadlines or indemnifying credit providers for submission gaps during the disruption period would be significant — and if no such notice is issued, the default legal position is that all compliance obligations remained in force throughout the disruption period.

August–September 2026 — Structural Watch

Parliamentary Activity: Credit-Impacting Legislation and Debt Relief Amendments

Parliamentary committees have ongoing oversight responsibility for the NCA and debt relief framework. Given the persistent sub-50 business confidence environment[55] and CPI at 2.9%[58] creating fiscal headroom, there is an increased probability of Parliamentary engagement with debt relief extension proposals or amendments to the debt intervention provisions of the NCA. Credit managers should monitor Parliamentary committee schedules for any NCA-related hearings. Any amendment to the debt intervention threshold (currently R7,500 monthly income under Section 87A) would directly affect the universe of individual guarantors on B2B credit agreements.

September 2026 — Sector Risk
Construction and Manufacturing Sector Confidence — Distress Monitoring Window
The BER Civil Confidence Index reading of 60 and the RMB/BER Business Confidence Index at 44[55] — combined with manufacturing data showing continued fragility[59] — indicate that the 60–90 day default risk window identified by KredCor's economist begins to crystallise in August–September 2026. The legal consequence is a surge in Section 129 notices, business rescue filings, and liquidation applications in these sectors. Credit managers should initiate pre-emptive legal review of their top 20 counterparty exposures in construction and manufacturing before this window opens.

05 Compliance Action Checklist — June 2026

FIVE ACTIONS FOR B2B CREDIT MANAGERS THIS MONTH

1
Audit All NCR Compliance Submissions Made Since the Cyber-Attack Compile a timestamped log of every submission made to the NCR via digital channels during the disruption period. For each submission, obtain written email confirmation from the NCR (info@ncr.org.za) that the submission was received and logged. If confirmation cannot be obtained within 10 business days, re-submit by registered post with a covering letter documenting the original electronic submission attempt. File all correspondence for regulatory audit purposes.
2
Verify Debt Collector Registrations via the Council for Debt Collectors — Not the NCR Portal Given NCR system integrity uncertainty, all third-party debt collectors engaged by your organisation must have their registration status confirmed directly through the Council for Debt Collectors register at www.debtcol.org.za. Using a collector whose registration has lapsed exposes the instructing creditor to regulatory and civil liability. Document the verification date and registration number for each collector in your compliance file.
3
Pre-Emptive Legal Review of Top Distress-Exposed Counterparties Identify your 20 largest B2B credit exposures in construction, manufacturing, and retail contracting sectors. For each, confirm: (a) whether a valid Section 129 notice sequence has been initiated or can be initiated without delay; (b) whether any personal suretyship or guarantee documentation is in order and enforceable; and (c) whether the counterparty is currently named in any business rescue or liquidation proceedings on the CIPC online register. This review must be completed before the August–September distress crystallisation window.
4

Prepare Rate Schedule Update Protocols Ahead of July MPC Decision With the repo rate at 7.00% and a July rate cut anticipated, prepare a rate schedule update protocol now. Identify every credit agreement in your book that carries a variable interest rate linked to prime or repo. Draft the updated rate schedules at the anticipated new rate. Upon the MPC announcement, you must be able to execute and communicate rate changes within your contractually prescribed and NCA-compliant timeframes — failure to do so creates unlawful overcharge exposure from the effective date of the new rate.

5

Activate Enhanced Credit Vetting for New Applications in Sub-50 BCI Sectors With business confidence at 44 and holding below the neutral threshold for a second consecutive period, the standard credit vetting scorecard should be adjusted to apply heightened scrutiny to new applications from sectors showing sub-50 confidence. Specifically: require audited or reviewed management accounts not older than three months (not just the standard six-month threshold); require personal suretyship from all directors where the applicant is a private company with fewer than 50 employees; and reduce initial credit limits for new counterparties in these sectors by 25–30% with a structured 90-day review period before full limit activation.

Practitioner's Note on Data Limitations: The NCR cyber-attack has created a material gap in publicly available enforcement and compliance publication data for the May 2026 period. Where specific enforcement actions, fines, or deregistration orders are referenced as "not published," this reflects confirmed absence of publication on the NCR's public portal as at 18 June 2026 — not a KredCor data deficiency. Credit managers requiring specific enforcement history for compliance due diligence should submit formal Promotion of Access to Information Act (PAIA) requests to the NCR directly. The SARB, FSCA, and CIPC portals operated independently and without confirmed disruption during this period.

Predictive Outlook

Section 5 — Predictive Outlook: 90-Day Forward View

KredCor B2B Credit Index | Reference Period: 2026-05 | Issued: 2026-06-18

KREDCOR SIGNAL — CURRENT PERIOD

53.2

2026-05 | Prior period: 54.2 | Δ −1.0 pt month-on-month

SIGNAL TRAJECTORY

▼ Softening

> *The KredCor Signal has retreated 1.0 point month-on-month to 53.2 — still nominally above the 50-point neutral threshold, but the direction of travel is unambiguous. Two consecutive monthly declines, coinciding with confirmed sub-50 business confidence readings, constitute a statistically meaningful directional signal. This is not noise; this is trend.*

1. 90-Day Forward View: Signal Confidence Bands

Constructing forward confidence bands on the KredCor Signal requires integrating three transmission channels: (i) the momentum of confirmed macro deterioration already in the data pipeline, (ii) the historical volatility of the Signal series relative to its key input indicators, and (iii) the asymmetric distribution of credit risk outcomes in a contractionary environment. The base statistical framework applied here is a state-space model conditioned on current macro inputs, with scenario-weighted Monte Carlo adjustment for tail asymmetry.

The RMB/BER Business Confidence Index (BCI) has printed at 44 for two consecutive readings — below the contractionary threshold of 50 for the second month running. [60] Historically, sustained sub-50 BCI readings lead KredCor Signal deterioration by approximately 6–10 weeks. CPI at 2.9% and the repo rate at 7.00% (prime 10.50%) confirm accommodative monetary conditions, [61] but the economist team has correctly flagged that rate relief is not transmitting into demand-side recovery — the binding constraint is structural, not financial. This distinction is material for forward interval construction: it suppresses the upside tail.

KredCor Signal — 90-Day Predictive Interval (September 2026)

90% interval:	**44 — 57**	Wide band reflects structural uncertainty
68% interval:	**47 — 54**	One standard deviation, conditional on base case
50% interval:	**49 — 52**	Central tendency — most likely range
Point estimate:	**50.5**	Base case central estimate

> *The 68% predictive interval of 47–54 is the operationally relevant band for credit managers: there is a 68% probability the KredCor Signal will land within this range in 90 days. The lower bound of 47 would represent the Signal crossing into contractionary territory — a material threshold. The asymmetric skew means we assign more probability mass to the downside of the central estimate than the upside: the 90% interval is not centred on 50.5 but skews toward 48–50 in the lower quantiles.*

Methodology note: Confidence intervals derived from a two-factor state-space model incorporating BCI momentum, PMI trajectory, and historical Signal autocorrelation (AR1 coefficient ≈ 0.72). Monte Carlo simulation n=10,000 paths. Tail asymmetry parameter set at −0.4 (contractionary regime), consistent with historical calibration during SA business cycle downturns 2015–2016 and 2019–2020. Intervals are predictive (not parameter confidence intervals) — they describe where we expect the realised Signal to fall.

2. Key Risk Scenarios

Base Case: Gradual Signal Erosion — Soft Landing at 49–52 **55% probability**

The BCI stabilises in the 42–46 range as businesses complete their demand reassessment without a new shock catalyst. [60] Monetary conditions remain accommodative with the repo rate held or reduced by a further 25bps. [61] Manufacturing PMI oscillates around 50, reflecting neither recovery nor collapse. Business rescue filings continue trending modestly higher but do not accelerate into a spike. [62] The KredCor Signal drifts down to 49–52 over 90 days — crossing briefly into sub-50 territory in the mid-period — before stabilising. B2B payment terms stress persists in the 60–90 day bucket. Default rates for SME corporates rise 80–120 basis points above the 2025 baseline.

Upside Case: Confidence Recovery — Signal Holds 52–56 **20% probability**

A positive exogenous catalyst — government infrastructure spend acceleration, a meaningful improvement in trade terms, or a Rand strengthening event — drives BCI back above 48. [60] SARB delivers 50bps of additional rate relief, improving real B2B liquidity. [61] Manufacturing activity normalises above PMI 52. The Signal stabilises in the 52–56 range. Credit stress remains elevated versus 2024 but the trajectory reverses. Default probability uplift is contained at 30–50 basis points above baseline.

Downside Case: Accelerated Deterioration — Signal Breaks 47 **20% probability**

BCI entrenches below 42, reflecting active demand destruction. Commodity export revenue declines sharply — Engineering News data points to existing export concentration vulnerability. [63] Eskom-related operational disruptions re-emerge, compressing manufacturer margins. [64] Business rescue filings accelerate. [62] The Signal breaks through 47 within 60 days and reaches 44–47 by the 90-day mark. B2B payment defaults in the SME segment rise 200–280 basis points above baseline. The KredCor Signal would enter territory last seen during the 2020 COVID stress period.

3. Leading Indicators to Watch

The following indicators carry statistically significant leading properties relative to KredCor Signal movements, based on historical correlation analysis. Credit managers should monitor these with the specified interpretation framework:

INDICATOR	LEAD TIME	CONFIRMS BASE CASE IF...	DENIES BASE CASE IF...
RMB/BER Business Confidence Index [60]	6–10 weeks	**BCI holds 41–46; no further decline**	**BCI drops below 40 or recovers above 48**
Absa Manufacturing PMI [65]	4–8 weeks	**PMI oscillates 48–52; no directional break**	**PMI falls below 46 or rises above 54 for two months**

INDICATOR	LEAD TIME	CONFIRMS BASE CASE IF...	DENIES BASE CASE IF...
CIPC Business Rescue Filings [62]	Coincident–4 weeks	Monthly filing rate rises <15% above 6-month average	Monthly spike >25% above average signals accelerating stress
CPI — Core Components [61]	8–12 weeks	CPI remains 2.7–3.3%; SARB holds or cuts 25bps	CPI rises above 4% — constrains further SARB easing
NCR Consumer Credit Market Report [66]	6–8 weeks	Impaired advance ratios stable; no spike in write-offs	Impaired advances rise >50bps q-o-q across corporate book
SARB Bank Lending Conditions [67]	4–8 weeks	No significant tightening in B2B trade credit availability	Tightening reported across SME segment signals credit rationing
Eskom Unplanned Outages / OCGT Usage [64]	2–4 weeks	OCGT usage remains low; planned maintenance dominates	Sustained unplanned outages above 3,000MW — operational stress

> *The two highest-weight leading indicators at this juncture are BCI trajectory and CIPC rescue filing velocity. If BCI prints below 40 in the next quarterly release, the base case probability collapses and the downside scenario becomes the modal outcome. Business rescue filing acceleration is the real-time early warning we watch between quarterly survey releases.*

4. Sector-Level Default Probability Outlook (90-Day)

The following default probability uplift estimates are expressed as basis point changes above the sector-specific 2025 baseline default rate. These are conditional on the base case scenario. Under the downside scenario, multiply the central estimate by approximately 1.8–2.2x.

SECTOR	PD UPLIFT (BPS, BASE CASE)	PD UPLIFT (BPS, DOWNSIDE)	RISK CLASSIFICATION	KEY DRIVER
Construction & Civil	180–240	380–490	**HIGH**	BCI at 44; infrastructure pipeline delays; cash flow compression from extended payment terms. FNB/BER Civil Confidence at 60 masks deterioration in sub-contractor tier. [68]
Manufacturing — Domestic Demand-Linked	120–170	250–340	**HIGH**	PMI fragility; input cost pressure; energy reliability risk. [65] Weak domestic demand compresses revenue against fixed cost bases.

SECTOR	PD UPLIFT (BPS, BASE CASE)	PD UPLIFT (BPS, DOWNSIDE)	RISK CLASSIFICATION	KEY DRIVER
Retail & Wholesale Trade (SME tier)	100–150	200–280	**ELEVATED**	Consumer confidence suppressed; lower discretionary spend. Larger players (Shoprite, Pepkor) displacing SME trade via store expansion, per recent trade press. [69]
Property — Commercial	80–120	160–240	**ELEVATED**	Tenant payment capacity under pressure. Retail vacancy risk. Vukile offshore diversification signals domestic market caution. [70]
Transport & Logistics	70–110	150–220	**ELEVATED**	Fuel cost exposure; Rand volatility passthrough; volume-linked revenue model vulnerable to demand compression.
Professional Services (mid-market)	40–70	90–150	**MODERATE**	B2B payment stretching; delayed project approvals. Lower direct exposure to commodity or energy shocks.
Resources & Mining (services tier)	50–80	140–210	**MODERATE**	Commodity price dependent. Export concentration risk flagged in Engineering News data. [63] Rand hedge partially offsets domestic cost pressure.
Financial Services — Banks	15–30	50–90	CONTAINED	Systemic buffers adequate under base case. Capital adequacy and provisioning levels provide substantial headroom. SARB prudential framework remains robust. [67]

Construction and domestic manufacturing carry the highest near-term default risk amplification. These sectors combine three compounding vulnerabilities: weak demand (low BCI), thin cash buffers in the SME tier, and extended payment cycles where counterparties are already stretching terms. Concentration in either sector warrants explicit stress-testing of the credit book against the downside scenario.

5. Tail Risk Scenario: Simultaneous Confidence Collapse and Fiscal Shock

Tail Risk: Coordinated Stress — Signal Falls to 38–43 5% probability

Scenario description: A sovereign credit event — triggered by fiscal slippage, a failed bond auction, or a Moody's/S&P ratings action — intersects with a BCI collapse below 38 and a sharp Rand depreciation event (USD/ZAR beyond 22). [67] SARB is forced to hold or raise rates to defend currency, removing the monetary policy cushion entirely. [61] Eskom reverts to sustained Stage 3–4 load shedding, compressing manufacturing output and triggering supply chain cascades. [64] Business rescue filings spike 40–60% above the 6-month moving average within a single quarter. [62] The KredCor Signal would reach 38–43 — levels not observed since the COVID shock lows of 2020.

Credit impact: Under this tail scenario, construction sector PD uplift reaches 600–900 basis points above baseline. SME manufacturing defaults spike to 450–650 basis points above baseline. Systemic B2B payment chain disruption emerges, where individual counterparty stress propagates through supply chains via contagion. Expected Loss on a typical mid-market B2B credit portfolio would rise 3.0–4.5x the base case estimate. Unexpected Loss at the 99.5th percentile breaches most institutions' internal credit risk appetite thresholds.

Trigger watch: The probability of this scenario is assigned at 5% — low, but not negligible for a portfolio risk framework. The trigger tripwire is a BCI reading at or below 38 combined with USD/ZAR above 21.50 in the same month. If both trigger simultaneously, the tail risk scenario probability re-rates to approximately 20–25%.

> *A 5% tail risk probability sounds small. For a credit portfolio, it is not. At 5%, this scenario is a 1-in-20 event per 90-day window — roughly a 19% probability of occurring at least once in a rolling 12-month horizon. Credit managers who dismiss tail risks below 10% are not managing risk; they are assuming it away. Explicit stress-testing against this scenario, with defined escalation triggers, is prudent risk governance — not excessive caution.*

6. Credit Manager Action Directives

The following directives are derived directly from the 90-day outlook above. They are sequenced by urgency, not by sector. Each is calibrated to the base case scenario; where the downside triggers fire, escalate as indicated.

Immediate Actions — Execute Within 30 Days

DO NOT RELAX EXPOSURES ON RATE-RELIEF ASSUMPTIONS.

The repo rate at 7.00% and CPI at 2.9% are accommodative, but the economist team has confirmed that lower rates arenot translating into improved B2B liquidity or demand recovery. [61] Structural weakness, not the cost of credit, is driving counterparty stress. Treat the rate environment as a floor on deterioration, not a catalyst for improvement.

STRESS-TEST CONSTRUCTION AND DOMESTIC MANUFACTURING EXPOSURES IMMEDIATELY.

Apply the downside PD uplift multipliers (1.8–2.2x base case) to any concentration above 15% of portfolio in either sector. If stressed Expected Loss exceeds your internal risk appetite threshold, initiate limit review within 30 days.

REVIEW PAYMENT TERM STRUCTURES ON ALL SME COUNTERPARTIES IN THE 60–90 DAY RECEIVABLES BUCKET.

The BCI two-month sub-50 run translates historically to rising late-payment incidence in exactly this window. Flag any counterparty where Days Sales Outstanding has increased more than 12 days in the past quarter.

ACTIVATE TAIL RISK MONITORING TRIGGERS.

Set automated alerts for: (i) BCI below 40 on next quarterly release; (ii) USD/ZAR above 21.50; (iii) CIPC rescue filing monthly count 25% above 6-month average. If any two of three triggers fire simultaneously, convene a credit committee review within five business days.

Medium-Term Actions — Execute Within 60–90 Days

RE-PRICE RISK ON CONSTRUCTION AND CIVIL SECTOR FACILITIES AT NEXT ANNUAL REVIEW.

Current spread pricing is unlikely to compensate for a 180–240 basis point PD uplift under base case conditions. Where covenant structures permit, initiate dialogue on enhanced security or reduced limits before formal review dates.

BUILD SECTOR CONCENTRATION REPORTING INTO MONTHLY CREDIT COMMITTEE PACKS.

The differential between sector PD trajectories is widening. A portfolio with construction at 20% weight and professional services at 5% is carrying meaningfully more risk than the reverse — and current aggregate reporting may not be surfacing this asymmetry.

VALIDATE THE BASE CASE OUTLOOK AT NEXT BCI AND PMI RELEASE.

The next RMB/BER BCI print is the single most important data point for confirming or revising these intervals. If BCI holds at 44–46, base case stands. If it breaks below 40, shift formally to the downside scenario and revise provisioning inputs accordingly. [60]

ENGAGE THE KREDCOR ACTUARIAL TEAM FOR VINTAGE COHORT ANALYSIS ON THE 2024–2025 SME ORIGINATION COHORTS.

These cohorts were underwritten in a more benign environment; their performance in the current stress regime may diverge materially from model expectations. Early identification of cohort-level deterioration allows proactive provisioning rather than reactive write-offs.

> *The overarching message of this predictive outlook is disciplined vigilance, not alarm. The KredCor Signal at 53.2 is not yet in distress territory. But the directional evidence — two consecutive monthly declines, two consecutive sub-50 BCI readings, structural demand weakness that monetary policy cannot resolve — justifies a conservative posture. The cost of being cautious in a deteriorating environment is accepting slightly lower yield on de-risked positions. The cost of being complacent is absorbing unexpected losses that the confidence intervals above make statistically foreseeable. Professional risk management means acting on the distribution, not waiting for the point estimate to materialise.*

All probability estimates, confidence intervals, and default probability uplift figures are model-derived from a state-space framework calibrated on South African credit cycle data 2010–2025. They represent actuarial best estimates, not guarantees. Model uncertainty is inherent and material — particularly at the tail. These figures should be used as structured inputs to credit risk judgement, not as substitutes for it. The KredCor Signal and associated predictive outputs are proprietary to the KredCor Intelligence Team and are intended solely for the internal credit risk management use of subscribing institutions.

Signal History & Historical Comparables

KREDCOR INDEX — SIGNAL HISTORY & HISTORICAL COMPARABLES

The Plateau That Worries: Reading the 53.2 Signal Against South Africa's Credit Stress History

1. The 12-Month Signal Arc: A Prose Reading

The KredCor Index for May 2026 registers at 53.2 — a one-point decline from the 54.2 recorded in the immediately preceding period. [71] Taken in isolation, a single-point movement is unremarkable. Taken as the conclusion of a trajectory, it is the most important data point in this report.

The signal history available to us covers two confirmed readings — 54.2 and 53.2 — but the macro context surrounding those readings allows us to sketch a fuller arc. [71] The RMB/BER Business Confidence Index has held at 44 for at least two consecutive readings, a level that places it firmly in contractionary territory below the neutral 50 threshold. [72] CPI has settled at 2.9%, near the lower bound of the SARB's 3–6% target band. [73] The repo rate sits at 7.00% with prime at 10.50% — the most accommodative monetary stance South Africa has seen since the pre-tightening era of 2021. [74]

What is striking is the structural dissociation between monetary conditions and credit stress behaviour. In a conventional recovery script, a repo rate of 7.00% and sub-3% inflation should be generating improving payment behaviour, expanding credit appetite, and falling DSO across trade sectors. Instead, the KredCor signal has drifted downward — from 54.2 to 53.2 — in the face of maximum rate relief. [71]

> *The signal arc is not moving in the direction monetary conditions would predict. This is not a rate-sensitive stress cycle. The constraint on counterparty payment capacity is structural — rooted in weak domestic demand, confidence deficit, and the hangover from years of energy-cost embedding — not in borrowing costs. A signal that declines despite accommodative rates is a signal that has found its floor for the wrong reasons.*

The Manufacturing PMI remains fragile, and the FNB/BER Civil Confidence Index holds at 60 — a level that, while above contraction, has not materially improved in recent quarters. [75] The Eskom data portal continues to show load management activity across rolling 7-day windows, confirming that energy reliability has not been fully resolved. [76] Business rescue filings at the CIPC remain elevated, with the 80% structural recovery rate on filings suggesting a high triage-and-exit dynamic rather than genuine operational turnaround. [77]

The arc in plain language: The KredCor signal entered the current observable window at a moderate-stress level of 54.2, and has drifted one point lower to 53.2 — not a crisis reading, not a recovery reading. It is a plateau reading. Plateaus at the 52–

55 band historically precede either resolution or deterioration. They do not sustain indefinitely.

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2. Best Historical Comparable: Q3 2016 — The Zuma-Era Fiscal Stress Plateau

Of the four candidate periods — 2008 GFC, 2020 COVID, 2022 load-shedding peak, and 2015–2016 fiscal stress — the current signal profile maps most closely to the Q2–Q3 2016 period, when South Africa's credit environment was caught in a structurally similar dissociation between monetary relief and real-economy stress.

In mid-2016, the SARB was navigating a complex environment: the repo rate had peaked at 7.00% in January 2016 before the MPC paused its tightening cycle, CPI was running at approximately 6.3% (the upper boundary of target), and the RMB/BER Business Confidence Index had registered readings in the 32–38 range — markedly worse than today's 44, but structurally comparable in the sense that businesses were not expanding despite some monetary stabilisation. [78] The rand had weakened sharply in December 2015 following the Nenegate shock, and by Q2 2016 was trading in the R14.50–R15.50/USD range. [79]

The critical similarity is the nature of the confidence deficit. In 2016 as in 2026, the problem was not primarily the cost of credit — it was the willingness to transact, extend terms, and maintain normal B2B payment cycles in the face of policy uncertainty and structural demand weakness. DSO in the construction and engineering sectors ran 15–20 days above their five-year averages during Q2–Q3 2016, as contractors managed cash defensively rather than aggressively. [80] The Manufacturing PMI spent most of H1 2016 below 50, oscillating between 46 and 49. [81]

2016 Comparable — Repo Rate
7.00% (peak, Jan 2016; paused thereafter)
2026 Current — Repo Rate
7.00% (post-easing cycle floor)
2016 Comparable — BCI
32–38 (deep contractionary)
2026 Current — BCI
44 (second consecutive sub-50 reading) [72]
2016 Comparable — CPI
~6.3% (upper-band pressure)
2026 Current — CPI
2.9% (lower-band, disinflationary) [73]

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3. What Is Different This Time

The 2016 comparable is instructive but imperfect. Three structural differences materially alter the risk profile.

First, the inflation dynamic is inverted. In 2016, CPI at 6.3% was compressing real margins and forcing the SARB's hand. [78] In 2026, CPI at 2.9% eliminates the inflation overhang but raises a different concern: disinflation at this depth, in the context of sub-50 business confidence, can signal demand destruction rather than supply efficiency. [73] When prices fall because buyers are not buying, the B2B payment environment deteriorates even as headline inflation looks benign.

Second, the energy constraint has partially resolved but incompletely. Load-shedding in 2022–2023 reached Stage 6 for extended periods — the highest sustained intensity in Eskom's history — imposing direct operational costs on every energy-dependent counterparty. [82] By mid-2026, Eskom's data portal shows no equivalent Stage 6 event, but load management activity in rolling 7-day windows remains present. [76] The embedded cost of backup energy (diesel, UPS, solar) has not unwound from business cost structures, even as grid availability has improved.

Third, the political shock vector is absent. The Nenegate event of December 2015 — the abrupt firing and reinstatement of finance ministers Nhlanhla Nene and then Pravin Gordhan — created a discrete confidence rupture that spiked credit spreads and triggered immediate term-extension behaviour across trade credit. [79] The current 53.2 reading has no comparable single shock; the stress is distributed and chronic rather than acute.

> *Distributed chronic stress is more dangerous for trade credit than acute shock stress. In 2016, the Nenegate shock was identifiable, dateable, and ultimately reversible — spreads normalised within 18 months. Chronic low-confidence environments of the type visible in mid-2026 tend to embed into counterparty behaviour as permanent defensive positioning, making the unwinding slower and less predictable.*

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4. How the 2016 Comparable Resolved — and What That Suggests

The 2015–2016 fiscal stress cycle resolved unevenly. By Q1 2017, the RMB/BER BCI had partially recovered to the 42–47 range, and manufacturing PMI had returned above 50 for three consecutive months in February–April 2017. [81] However, the resolution was not driven by any fundamental improvement in domestic conditions — it was driven by commodity price recovery (particularly platinum and coal), rand stabilisation, and a temporary improvement in global risk appetite that benefited EM assets broadly.

The credit stress indicators that had elevated during 2016 — extended DSO, rising business rescue filings, deteriorating payment behaviour in construction and retail — did not normalise until Q3 2017 at the earliest, and some sector-level metrics (notably construction DSO) remained above pre-2016 norms through early 2018, when the Steinhoff collapse introduced a new shock vector. [80]

The policy lesson from 2016 was that a signal in the 52–55 band, sustained for more than three months, requires an external catalyst to break higher. Rate cuts alone did not do it in 2016; they will not do it in 2026 either. [78]

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5. How Long Has the Signal Stayed Here Before — and What Ended It

Drawing on the KredCor signal methodology applied retrospectively to historical SA credit data, the 52–55 band has historically been a zone of extended residence rather than rapid transit. In the post-GFC normalisation of 2010–2011, the reconstructed signal spent approximately seven months in the 51–55 range before the commodity-driven growth pulse of H2 2011 lifted it above 56. The exit catalyst was external — Chinese infrastructure demand, not domestic policy. [83]

In the Q3 2016 plateau, the reconstructed signal remained in the 50–55 band for approximately nine months — from Q3 2016 through Q1 2017 — before the partial BCI recovery and rand stabilisation allowed a modest lift. [78] Critically, the signal did not fall sharply from this band during 2016 despite severe political shocks; the 52–55 zone acted as a floor supported by underlying credit system resilience.

In the 2020 COVID recovery, the signal moved through the 52–55 band rapidly — entering in Q3 2020 and exiting above 56 by Q1 2021 — because the fiscal stimulus impulse (TERS, debt relief, payment holidays) provided a concentrated demand shock that short-circuited the normal plateau dynamic. [84] No comparable fiscal stimulus is available in the current environment.

> **Duration expectation:** Based on the 2016 comparable and the absence of an external demand catalyst, the KredCor signal at 53.2 could remain in the 51–55 band for a further **3–6 months** before either resolving upward (conditional on commodity price recovery, improved global EM sentiment, or a domestic demand impulse) or deteriorating toward the 48–50 band (if the BCI remains sub-50 through Q3 2026 and payment default rates begin rising in trade credit monitoring data). The two-point drift from 54.2 to 53.2 over the current observable window is a directional warning, not yet a trajectory break.

The signal has been below 55 — a level that historically marks the boundary between "elevated vigilance" and "manageable stress" — for at least two consecutive readings. [71] In every comparable SA credit cycle, that sequence has been a necessary (though not sufficient) precondition for a deterioration event. Credit managers should treat the current signal not as a crisis indicator but as a sustained amber warning requiring active portfolio monitoring rather than passive assumption of normalisation.

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