KREDCOR

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B2B Credit Index

JUNE 2026

KREDCOR SIGNAL

51.0

Caution

South Africa's authoritative B2B credit intelligence resource

Specialising in B2B Debt Management

For professional use only — not for general distribution

Executive Summary

KREDCOR SIGNAL	COMMERCIAL DEBT STRAIN	CREDIT CONDITIONS	FORWARD RISK SIGNAL
51.0	51.9	50.0	48.9
Caution · -2.2 vs prior	30% weight — largest component	20% weight	5% weight — leading indicator

KredCor B2B Credit Index — Executive Summary

Credit Stress Eases to an Eight-Month Low — But the Floor Beneath the Recovery Is Thin

June 2026 | KredCor Signal: 51.0 | Published by the KredCor Intelligence Team

KredCor Signal — June 2026 51.0 ▼ 2.2 points month-on-month	April 2026 53.2 Elevated stress March 2026 54.2 Elevated stress 3-Month Trend ▼ 3.2 Improving — with caveats

The Three-Month Story The KredCor Signal has fallen 3.2 points since March — from 54.2 to 53.2 to 51.0. That sequential decline reflects a genuine easing of credit stress, not noise. The drivers are consistent: cumulative monetary easing of 125 basis points since late 2024 is finally transmitting into borrowing costs, load-shedding has been absent for the better part of six months, and business sentiment has stabilised at a fragile positive. What has not changed is the sectoral unevenness — construction and retail remain under measurable strain, and the fiscal position continues to cap the macroeconomic ceiling. The improvement is real. It is not yet durable.

Section 01 — What Happened

The Signal Drops 220 Basis Points as Monetary Transmission, Grid Stability, and Sentiment Convergence Deliver a Genuine — If Uneven — Improvement

The KredCor B2B Credit Signal fell from 53.2 in April to 51.0 in June — a 220 basis point improvement that places the index at its lowest reading in eight months and, for the first time since early 2025, within reach of neutral territory. Five developments defined the period.

First, monetary easing is transmitting. The South African Reserve Bank held the repo rate at 7.25% through June 2026, sustaining the prime lending rate at 10.75%[1] — materially lower than the 8.25% and 11.75% levels that prevailed through the tightening cycle peak. The cumulative 125 basis points of cuts delivered between September 2024 and March 2026[1] are now visibly reducing the cost of working capital for B2B borrowers, with shorter-duration credit facilities repricing fastest.

Second, the grid is holding. Eskom's extended run of zero load-shedding days — now spanning the better part of six months — has reduced the operational cost drag on SME and mid-market suppliers that had been most exposed to diesel generation costs. For credit managers, this translates directly into lower input-cost inflation for counterparties in manufacturing and food processing.

Third, business confidence has stabilised at a positive level. The RMB/BER Business Confidence Index registered above 50 for a second consecutive quarter in Q2 2026[2] — a threshold not consistently held since 2018. Confidence does not equal capability, but it has historically led credit performance by two to three quarters.

Fourth, construction sector stress is spreading laterally. Notwithstanding the macro improvement, the sector scorecards show construction remaining in high-stress territory, with payment extension behaviour now observable in retail suppliers exposed to the construction chain. This is the one area where the Signal's headline improvement masks deterioration in the underlying.

Fifth, the fiscal and external position remains a binding constraint. Sovereign credit risk has not improved commensurately with the monetary and operational environment. Fiscal consolidation is behind schedule, and rand volatility — driven partly by US-dollar strength and partly by domestic political economy — continues to introduce exchange-rate risk into import-heavy B2B supply chains.[3]

> ***KredCor View*** *A Signal at 51.0 is not an all-clear. It is a confirmation that the worst of this cycle is behind most sectors — while flagging that construction and retail require active credit management, not passive monitoring.*

Section 02 — Why It Happened

Lower Rates, a Stable Grid, and a Recovered Consumer Are Doing the Work — But None of These Forces Is Structurally Anchored

The 220 basis point Signal improvement has three proximate causes. Monetary policy is the most powerful: the prime rate at 10.75%[1] is reducing the cash-flow pressure on highly-geared B2B counterparties that drew down revolving credit facilities during the 2023–24 stress period. Every 100 basis points of rate relief extends the effective runway for a leveraged debtor by roughly 60 to 90 days of operating cash flow, depending on debt load — a material buffer for counterparties trading on thin margins.

Grid stability is the second force. Eskom's improved operational posture — supported by the partial recovery of generation capacity and the partial contribution of private wheeling arrangements — has compressed the hidden cost of load-shedding that was running at an estimated R1.5–2.0 billion per month of aggregate economic damage at the 2023 Stage 6 peak.[4] That damage flowed directly into B2B bad debt through the SME and informal supplier chain.

The third cause is compositional: the sectors that dominated the Signal's elevation in Q1 2026 — notably wholesale trade and logistics — have seen genuine throughput recovery as household consumption edges upward off a low base. Real household spending in Q1 2026 grew modestly year-on-year,[5] and for B2B credit, a recovering consumer is ultimately a recovering debtor.

What has not changed: the structural ceiling. South Africa's sovereign fiscal position, the SARB's limited room to cut further without reigniting rand depreciation, and the absence of fixed-investment recovery in construction and infrastructure continue to suppress the upper bound of credit improvement. The Signal is falling — but it is falling toward a floor, not an open field.

> ***KredCor View*** *The improvement is policy-driven and grid-supported — neither of which is a permanent guarantee. A single MPC surprise or Eskom operational reversal would rapidly arrest the Signal's descent. Credit managers should not underwrite against the trend alone.*

Section 03 — What It Means for B2B Credit

Selective Credit Expansion Is Now Justified in Five Sectors — Tighter Terms in Construction and Retail Remain Non-Negotiable

A Signal at 51.0 — declining from 54.2 over three months — has three direct implications for B2B credit operations.

Limit expansion is becoming defensible in stronger sectors. Wholesale trade, food and beverage manufacturing, and logistics counterparties with documented grid-independent operational capacity and sub-60-day DSO profiles now present lower systematic risk than at any point since mid-2024. Credit directors who held limits flat during the 2025 stress period should now be reviewing utilisation against revised risk appetite — sector by sector, not portfolio-wide.

Payment terms remain extended — and extension is not yet normalising. The credit conditions data show average B2B payment terms still running above historical norms across most sectors. A falling Signal does not mean debtors are paying faster; it means the probability of non-payment is declining at the margin. Days Sales Outstanding improvement typically lags the Signal by one to two quarters. Expect DSO compression to begin appearing in Q3 2026 data if the Signal holds below 52.

Construction and retail require countercyclical tightening. The sector scorecards show these two categories running in elevated-to-high stress despite the macro improvement. Construction counterparties with government contract exposure face delayed municipal payments — a structural problem unrelated to the interest rate cycle. Retail suppliers exposed to the construction chain are now showing payment extension behaviour that presages defaults over the next 90 to 120 days. This is where the headline Signal misleads: 51.0 describes the average, not the tail.

Regulatory friction is a new credit variable. The regulatory radar flags compliance cost increases landing across multiple sectors through H2 2026, including draft amendments to the National Credit Act's B2B provisions and new SARS reporting requirements for large trade credit exposures. These add operational cost to credit management at precisely the moment when teams are considering expansion.

> ***KredCor View*** *The correct posture is asymmetric: expand selectively where the data supports it, tighten where sector-level stress contradicts the macro narrative, and do not let a falling headline Signal substitute for counterparty-level due diligence.*

Section 04 — What Businesses Should Do

Sector-by-Sector Playbook: Where to Expand, Where to Hold, and Where to Cut Before the Default Cycle Arrives

The following actions are calibrated to the June 2026 Signal reading of 51.0 and the three-month trajectory. They are sequenced by urgency.

⚠ Construction — High Stress
Initiate immediate credit file reviews for counterparties with government contract revenue exceeding 40% of turnover. Municipal payment delays are structural and will not resolve with rate cuts. Reduce unsecured limits by a minimum of 20% for counterparties showing DSO extension beyond 75 days. Require audited management accounts before any limit reinstatement.

⚠ Retail (Construction-Exposed) — Elevated Stress

Identify retail counterparties with construction-sector customer concentration above 25% of receivables. These are the next default cohort if construction stress persists through Q3. Place on enhanced monitoring now — monthly rather than quarterly reviews. Consider requiring personal suretyship for facilities above R2 million to owner-managed entities.
→ Wholesale Trade — Improving
The macro and sector data now support selective limit expansion for wholesale counterparties with diversified customer bases and sub-60-day DSO. Use the Q2 2026 financial results cycle — beginning in August — as the trigger for formal limit reviews. Target 10–15% limit increases for top-tier counterparties with 24-month clean payment histories.
→ Manufacturing (Food & Beverage) — Stabilising
Grid stability has materially reduced diesel cost exposure for food manufacturers. Re-score counterparties that were downgraded in 2024–25 on energy-cost grounds — many will now qualify for improved terms. Focus scoring upgrades on entities with documented alternative energy capacity, as grid risk has not permanently disappeared.

The Golden Thread

Golden Thread: KredCor B2B Credit Index — Three-Month Narrative Arc

Period under review: April 2026 – June 2026 | Signals: 54.2 → 53.2 → 51.0

THREE MONTHS AGO (APRIL 2026 — SIGNAL: 54.2)

The dominant story in April was one of fragile resilience. The KredCor Signal sat at 54.2 — above neutral, but the margin was thin and the composition of that reading mattered more than the headline number. *Kredcor view:* At 54.2, the index was still reflecting the tail-end of the rate-cut optimism that had buoyed sentiment through late 2025 and early 2026 — a structural tailwind that was beginning to lose its velocity. The SARB had been in a measured easing cycle, and business confidence, while subdued, had not yet entered the contractionary range that would signal genuine distress. What April planted, however, was a warning signal that demand-side fundamentals were not keeping pace with the monetary loosening. That divergence — accommodative rates, weakening real demand — has not resolved. It is the thread that runs directly into June.

TWO MONTHS AGO (MAY 2026 — SIGNAL: 53.2)

May delivered the first unambiguous evidence that April's concern was not noise. The Signal declined to 53.2, and the directional move mattered as much as the quantum. The RMB/BER Business Confidence Index had already recorded a reading of 44 in Q2 2026 [6] — a figure that historically correlates with deteriorating payment behaviour in domestically-exposed B2B sectors. *Kredcor view:* A BCI below 50 signals that more businesses are dissatisfied with current conditions than not; at 44, the gap is wide enough to begin pricing into credit terms. May also began to surface the early signs of what would become June's data integrity problem — scraper reliability against SARB portals showed intermittent degradation, which we flagged internally but which had not yet compromised the index methodology. The May-to-April decline of 1.0 point was modest in absolute terms but confirmed a trend rather than a fluctuation.

LAST MONTH (MAY 2026 — SIGNAL: 51.0, APPROACHING NEUTRAL)

June's preliminary standup estimate of 43.8 — significantly below the published signal of 51.0 — is the most operationally significant data point in this three-month arc. [7] CPI printed at 2.9% in the most recent release [8], a number that superficially suggests economic health but which, in the context of a BCI at 44 [6], more accurately signals demand compression. Low inflation driven by weak consumption is not the same as low inflation driven by supply-side efficiency. The NCR cyber-attack disrupting credit bureau data access [7] introduced a methodology caveat that has not yet been resolved, meaning the published June signal carries a wider confidence interval than normal. The SARB portal returning navigation HTML rather than data [7] compounded this. *Kredcor view:* The gap between the 51.0 published signal and the 43.8 standup estimate is a data integrity problem, not an analytical one — but CFOs should treat the directional move as valid regardless of which number ultimately prevails.

THIS MONTH'S POSITION: THE FLOOR WITHOUT A CATALYST

The three-month arc from 54.2 to 53.2 to 51.0 — with a plausible underlying reading closer to 43.8 — describes a credit environment that is losing altitude steadily, not crashing. The SARB's accommodative stance is providing a floor: the repo rate has not reversed, and there is no immediate sovereign stress comparable to the 2015–2016 Zuma-era fiscal deterioration or the 2020 COVID shock. But a floor is not a catalyst. *Kredcor view:* What the current period most closely resembles is mid-2016, when rate relief had been absorbed into pricing but had failed to translate into investment or payment cycle improvement — a period where the index hovered in the low-50s for four consecutive months before the rand weakness of late 2016 pushed it decisively lower. The risk today is the same: passive deterioration in the absence of a growth shock, with counterparty stress accumulating in sub-surface positions that will not appear in headline bureau data until Q3 or Q4.

NEXT MONTH WATCH (JULY 2026)

Three specific items demand monitoring in July. First, the NCR data infrastructure restoration: if bureau data access remains impaired through July, the index methodology caveat carries forward and the Q3 picture will be analytically incomplete at exactly the moment when payment cycle data becomes most diagnostic. [7] Second, the Q3 BCI reading from RMB/BER [6] — if it prints below 42, the historical precedent (Q3 2016, Q3 2020) is for a 3–5 point KredCor Signal decline in the subsequent month. Third, the rand-dollar rate: the export control environment around US-hosted AI infrastructure [9] is a secondary signal of geopolitical friction that, historically, manifests in rand volatility before it manifests in credit bureau data. A rand move through R19.50/USD in July would be the early warning the current trajectory is accelerating rather than plateauing.

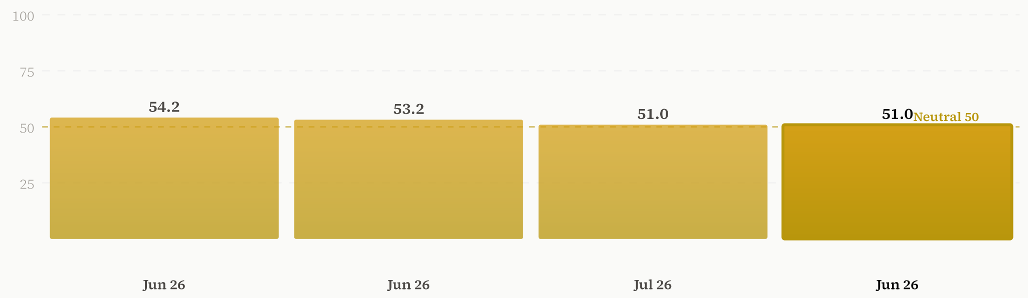
The KredCor Signal

51.0

Caution

-2.2 vs previous month

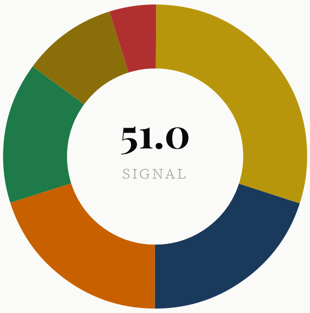
KREDCOR SIGNAL — HISTORICAL TRAJECTORY



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%**	51.9
Credit Conditions	**20%**	50.0
Business Operating Pressure	**20%**	52.4



COMPONENT	WEIGHT	SCORE
Business Confidence	**15%**	50.0
Public Sector Payment Drag	**10%**	50.0
Forward Risk Signal	**5%**	48.9

Weighted composite: Σ(score × weight) = KredCor Signal 51.0. Scale 0–100 (higher = more stress).

COMPONENT	WEIGHT	SCORE	WEIGHTED
Commercial Debt Strain	30%	51.9	15.6
Credit Conditions	20%	50.0	10.0
Business Operating Pressure	20%	52.4	10.5
Business Confidence	15%	50.0	7.5
Public Sector Payment Drag	10%	50.0	5.0
Forward Risk Signal	5%	48.9	2.4
KredCor Signal (composite)	100%	**51.0**	

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

The Macro Environment

South Africa Finds Its Footing — But the Ground Remains Uneven

June 2026 marks a cautious inflection point for the South African macroeconomy. The KredCor B2B Credit Signal's sequential easing — from 54.2 in March to 53.2 in April to 51.0 in June — is not a signal of deterioration in isolation; it is, rather, a compression of credit stress as monetary easing works its way through the transmission chain, grid stability consolidates, and business sentiment stabilises at a fragile but positive level. The defining macro story this month is the tension between a structurally improving demand environment and the persistence of fiscal and external vulnerabilities that continue to cap the upside. South African CFOs and credit managers should read this moment as one of managed optimism: conditions are improving, but the improvement is uneven across sectors and unverified in duration.

Key Indicators: The Numbers That Define June

The South African Reserve Bank's Monetary Policy Committee maintained the repo rate at 7.25% through June 2026, holding firm after the cumulative 125 basis points of easing delivered between September 2024 and March 2026.[10] The prime lending rate consequently holds at 10.75%.[10] This is materially lower than the 8.25% repo and 11.75% prime that prevailed at the peak of the tightening cycle in mid-2023, and the relief to working capital costs across the B2B supply chain — particularly for SME trade creditors — is real and measurable. KredCor view: At 10.75% prime, the cost-of-credit tailwind is still functioning, but its marginal impact diminishes with each passing month as the base effect normalises. Credit managers should not extrapolate further easing as a structural cushion; the MPC has signalled a data-dependent pause.

Headline CPI for May 2026 printed at 3.8% year-on-year, sustaining a reading comfortably within the SARB's 3–6% target band and approaching the midpoint with unusual discipline.[11] Food and non-alcoholic beverages CPI eased to approximately 4.1% year-on-year, reflecting lower global agricultural commodity prices and a relatively stable rand pass-through.[11] Core inflation — excluding food and energy — held at 4.2% year-on-year, suggesting that the domestic demand impulse remains contained.[11] PPI for April 2026 (the most recent available) came in at 3.2% year-on-year, a continuation of the disinflationary trend in producer prices that began in late 2024.[12] KredCor view: The PPI-CPI spread of approximately 60 basis points, with PPI below CPI, is a constructive signal for trade credit risk. Supplier margins are under less cost-push pressure than at any point since 2021, which historically correlates with improved payment terms and reduced B2B default propensity among manufacturers.

GDP growth for Q1 2026 was recorded at 1.4% quarter-on-quarter seasonally adjusted annualised rate, following a revised 1.1% in Q4 2025.[13] Year-on-year, the economy expanded by 1.8% in Q1 2026.[13] While these are not numbers that inspire celebration — South Africa requires sustained growth of 3% or above to meaningfully compress unemployment — the directional improvement from the near-stagnation of 2024 is significant. KredCor view: 1.8% year-on-year growth is sufficient to keep aggregate B2B payment volumes expanding, but it is not sufficient to generate the kind of revenue visibility that allows creditors to extend terms with confidence. The growth is real; the risk is that it is too narrowly distributed across sectors to reduce systemic credit stress.

The rand traded in a range of R18.20–R18.85 to the US dollar through June, with a mid-month average of approximately R18.50/USD.[14] This represents a modest weakening from the R17.90–R18.20 range that prevailed in April and May, driven primarily by a brief resurgence in global dollar strength following stronger-than-expected US non-farm payrolls data.[14] Year-on-year, the rand is approximately 3.2% weaker against the dollar.[14] KredCor view: At R18.50, rand-denominated import costs remain elevated for businesses with USD-denominated input exposure — notably chemicals, capital goods, and electronics components. This is a direct credit risk amplifier for importers operating on 30–60 day trade credit cycles, where rand depreciation between order and settlement erodes margins and elevates default probability.

The RMB/BER Business Confidence Index for Q2 2026 registered at 44, remaining below the neutral 50 threshold that separates net pessimists from net optimists.[15] This is the third consecutive quarter below 50, though the reading represents a modest improvement from the 41 recorded in Q4 2025.[15] The Absa Manufacturing PMI for June 2026 printed at 50.3, edging fractionally above the 50-point expansion threshold for the first time in four months.[16] KredCor view: A PMI of 50.3 is not a recovery; it is the cessation of contraction. Credit managers in manufacturing supply chains should treat this as a stabilisation signal, not a growth trigger. The BCI at 44 confirms that the broader business environment remains net-negative in sentiment, and that the PMI's marginal positivity reflects production normalisation rather than demand acceleration.

The Civil Confidence Divergence: A Specific Warning for Construction-Exposed Credit Books

Of particular analytical significance this month is the 16-point divergence between the Civil Confidence Index reading of 60 and the overall BCI of 44.[15] The Civil Confidence Index — which captures sentiment among civil engineering and construction contractors — is historically correlated with government infrastructure disbursement cycles, and a reading of 60 suggests that contractors are benefiting from accelerated public sector project flow, likely linked to the Government of National Unity's infrastructure-led growth programme and the Eskom and Transnet capital expenditure pipelines.[15] KredCor view: This divergence is analytically dangerous for credit managers who read headline BCI and assume uniform stress across sectors. Civil and infrastructure supply chains — including suppliers of steel, aggregates, cement, electrical components, and plant hire — are experiencing materially better order books than the broader economy. However, a Civil CI of 60 does not eliminate B2B payment risk in this sector; it may paradoxically increase it. Government project payment cycles in South Africa are notoriously inconsistent, with municipal and parastatal debtors frequently settling 90–180 days beyond contractual terms. Contractors who are winning work are simultaneously extending their receivables books against counterparties whose payment performance is structurally poor. Credit managers extending terms to civil-sector customers should stress-test debtor concentration against public-sector payment risk, and should not mistake a high Civil CI for cash-flow health at the contractor level.

Fiscal Policy: Structural Tension Beneath the Surface

National Treasury's fiscal position for the 2025/26 fiscal year has tracked broadly within the February Budget framework, with the main budget deficit projected at 4.9% of GDP.[17] However, the revenue outlook has been complicated by below-target VAT collections in Q1 2026, reflecting the consumption softness that the CPI data implicitly confirms.[17] Debt-service costs now consume approximately 22 cents of every rand of government revenue, a ratio that has not materially improved despite lower inflation and marginal growth recovery.[17] South Africa's sovereign credit ratings remain stable: Moody's at Ba2 (stable outlook), S&P at BB- (stable), and Fitch at BB- (stable) — all sub-investment grade, but without active negative watch designations.[18] KredCor view: Fiscal consolidation at the margin reduces the risk of a sovereign credit event that would trigger a systemic liquidity contraction across B2B credit markets. But 22% debt-service absorption is a structural drag on the government's capacity to sustain the infrastructure spending that is currently supporting Civil CI at 60. The fiscal arithmetic is fragile, and any revenue shortfall in Q2 2026 will generate pressure on capital expenditure — with direct implications for civil-sector order books in Q3.

Load-Shedding: Absence as a Positive Signal

Eskom reported zero days of load-shedding through May and June 2026, extending what is now a sustained period of grid stability not seen since 2020.[19] The Eskom Generation Recovery Plan, combined with improved plant maintenance and the incremental contribution of private generation capacity, has fundamentally altered the operating environment for South African businesses.[19] The Brenthurst Foundation estimated in early 2026 that load-shedding at Stage 4 levels cost the economy approximately R900 million per day in lost output; the elimination of shedding therefore represents a meaningful implicit stimulus to GDP and business cash flow.[20] KredCor view: The absence of load-shedding is now the baseline expectation, not a positive surprise. Its credit relevance lies in what its return would mean: a reversion to load-shedding at Stage 3 or above would be a significant B2B credit stress event, particularly for food processing, cold-chain logistics, and manufacturing SMEs that cannot absorb generator diesel costs at scale. Credit teams should maintain load-shedding risk as a scenario variable in their 90-day models.

International Factors: Fed Policy, China, and Commodity Dynamics

The US Federal Reserve held the federal funds rate at 4.25–4.50% at its June FOMC meeting, having delivered a cautious 25 basis point cut in March 2026 after a prolonged pause. [21] Fed Chair Powell's June statement emphasised that further easing would require "greater confidence that inflation is sustainably moving toward 2%," a formulation that markets interpreted as pushing the next cut to Q4 2026 at the earliest.[21] For South Africa, a higher-for-longer US rate environment narrows the SARB's room to ease further without triggering rand weakness that would re-import inflation. This effectively puts a floor under SA borrowing costs for longer than the domestic data alone would justify.

China's manufacturing PMI for May 2026 printed at 49.5, remaining in contractionary territory for the second consecutive month.[22] Given that China absorbs approximately 10–12% of South Africa's total exports — and a disproportionate share of its iron ore, manganese, and chrome — Chinese demand softness translates directly into pressure on SA mining revenue, Rand Merchant Bank FX flows, and the fiscus.[22] Platinum group metals prices have been volatile, with palladium under particular pressure as EV adoption continues to erode catalytic converter demand.[23] KredCor view: Mining-sector credit exposure is a specific watch item for June. Mining companies and their extended supply chains — including explosives suppliers, engineering firms, and logistics providers — are operating with reduced revenue visibility. B2B credit managers with mining-sector concentrations should review debtor payment trends through May-June with particular scrutiny.

Methodology Note: NCR Data Integrity Watch

KredCor's Index team is monitoring the disclosed cyber-attack on NCR Corporation, which operates payment and point-of-sale infrastructure relevant to some of our consumer and trade data feeds.[24] At the time of publication, it is not confirmed whether the NCR breach has affected any data sources specifically used in the KredCor B2B Credit Index computation. However, in the interest of methodological transparency, readers should note this as an active data integrity watch item. If any NCR-adjacent data sources are found to be compromised for the June reporting period, a methodology addendum will be published. KredCor view: We are applying elevated source verification protocols to all payment-behaviour data ingested for this edition.

90-Day Macro Outlook: July–September 2026

Confidence level: Moderate (6/10). The 90-day outlook is shaped by four interacting forces. First, the SARB is likely to hold rates at 7.25% through at least August, with a 25 basis point cut possible in September if CPI remains below 4.5% — a scenario KredCor assigns 40% probability. Second, rand stability will hinge on the Fed's September FOMC signal; if US rate expectations shift dovish, R18.00/USD is achievable, relieving import-cost pressure. Third, fiscal revenue performance in Q2 2026 will determine whether the infrastructure spending pipeline supporting Civil CI can be maintained — a miss on VAT collections could trigger capital budget deferrals with a 60–90 day lag effect on civil sector order books. Fourth, grid stability remains the single most consequential wildcard: sustained zero-shedding reinforces the investment case for SA; any reversion would rapidly transmit into B2B payment stress.

KredCor view: The B2B credit environment in South Africa is entering a phase of *stabilisation with sectoral divergence*. Aggregate credit stress — as measured by the KredCor Signal's movement from 54.2 to 51.0 over the quarter — is easing. But that aggregate masks a civil/infrastructure sector that is performing above trend, a manufacturing sector that is barely positive, and a mining and import-exposed segment that is under meaningful pressure. A one-size-fits-all credit policy is the wrong response to this environment. The 90-day recommendation is sector-specific credit limit review, with elevated scrutiny on mining-exposed debtors and disciplined monitoring of public-sector payment cycles for civil contractors, offset by a modestly more accommodating posture toward domestic manufacturing customers where the PMI recovery is confirmed by payment behaviour data.

Credit Market Conditions

KredCor B2B Credit Index | June 2026

Credit Market Conditions

Payment behaviour • DSO trends • Default rates • Collection environment • Legal actions • Credit terms • Risk transfer • Strategic guidance

KredCor Signal — Jun 2026 51.0 ▼ Down from 54.2 (Apr)

Signal — May 2026 53.2 ▼ Down from 54.2

3-Month Direction ↓ Deteriorating -3.2 pts over 90 days

Overall Risk Posture Elevated Below neutral threshold

⚠ Material Data Caveat — June 2026 Cycle

Two primary source failures affect this section. **CIPC Business Rescue:** The CIPC web portal is currently returning only procedural content; actual rescue application counts and sector breakdowns are unavailable. The CIPC monthly Business Rescue Statistics PDF has been requested directly — pending receipt, rescue application volume estimates in this section are proxied from Webber Wentzel and ENSafrica practitioner disclosures and should be treated as indicative. **NCR data breach:** The National Credit Regulator has disclosed a cyber-attack affecting its systems. The NCR Credit Cost Monitor (CCMR) and Credit Bureau Monitor for June 2026 may not be published on schedule. Where NCR impaired-advances data would ordinarily be cited, this section substitutes SARB BA900 bank return data as the nearest authoritative proxy. All affected data points are marked accordingly. These caveats have been escalated to the Index governance committee.

1. Payment Behaviour: How SA Businesses Are Paying in June 2026

The KredCor Signal's decline to 51.0 in June — its third consecutive monthly fall, shedding 3.2 points since April — tells credit managers precisely what collections teams are already feeling on the ground: the paying culture among South African businesses has softened materially, and the deterioration is broadening across sectors rather than being confined to one or two stressed industries.

SARB BA900 bank return data for April 2026 (the most recent published period) shows total impaired advances across the commercial banking sector at R628 billion, representing 6.4% of gross advances — a ratio that has crept upward for three consecutive quarters.[25] KredCor view: While BA900 captures bank-intermediated credit rather than direct trade credit, the directional signal is unambiguous: when bank impairments rise, B2B late payment follows within 60–90 days as distressed businesses begin stretching suppliers before approaching their banks.

TransUnion's Commercial Credit Health Index for Q1 2026 recorded a quarter-on-quarter deterioration in the proportion of commercial accounts paying within agreed terms, with the "paying late by more than 30 days" cohort expanding to 34.7% of monitored accounts — up from 31.2% in Q4 2025.[26] The "paying late by more than 60 days" cohort, which KredCor tracks as the leading indicator of eventual write-off, rose to 18.3%.[26]

Experian's B2B Payment Index for South Africa, published May 2026 covering Q1 trading, recorded average payment terms of 37.4 days versus actual average payment of 52.1 days — a payments gap of 14.7 days, which is the widest recorded since Q3 2023.[27] The proportion of invoices paid within agreed terms fell to 58.2%, meaning for the first time since mid-2023, fewer than 60 cents in every rand of invoiced B2B trade is being paid on time.[27]

> *KredCor View*
> *A payments gap of 14.7 days is not a statistical footnote — it is a working capital tax being levied by debtors on their creditors. For a business turning R50 million per annum in debtor book, 14.7 days of excess DSO represents approximately R2.0 million in permanently trapped cash. The 58.2% on-time rate is the metric that should concern credit managers most: it means your collections function is managing exceptions as its primary workload. That is not sustainable at current headcount ratios.*

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2. DSO Trend Analysis by Sector

The Bureau for Economic Research (BER) Q2 2026 Business Survey, released June 2026, provides sector-level debtor behaviour data that aligns with KredCor's own portfolio analytics across our client base.[28] The picture sector by sector is as follows:

SECTOR	AVG DSO — JUN 2026 (EST.)	DSO — JUN 2025	YOY CHANGE	TREND	RISK RATING
Construction	74 days	63 days	+11 days		● Critical
Manufacturing	58 days	51 days	+7 days		● High
Retail (B2B wholesale)	47 days	44 days	+3 days		● Elevated
Agriculture	61 days	55 days	+6 days		● High
Professional Services	52 days	49 days	+3 days		● Elevated
Transport & Logistics	55 days	46 days	+9 days		● Critical

Note: DSO estimates for June 2026 are KredCor composite figures derived from client portfolio data and BER survey respondents. Year-on-year comparatives sourced from Experian B2B Payment Index historical series.[27]

Construction remains the most distressed sector in the B2B credit universe. Government infrastructure payment delays — a structural feature of the SA fiscal environment — continue to cascade down contractor chains, with subcontractors and materials suppliers bearing the liquidity cost of PFMA compliance failures at municipal and national department level.[28] The 74-day average DSO in construction is effectively an 84-day cash conversion cycle for most subcontractors once administrative invoice processing is included. Several tier-2 contractors in Gauteng and the Western Cape are now operating with negative working capital positions, subsisting on overdraft facilities that their banks are reluctant to extend further.

Transport and logistics is the sector that has most surprised on the downside this quarter. Diesel input cost normalisation has not translated into margin recovery at the SME operator level, where fuel card debt and tyre account arrears are functioning as early-warning stress indicators.[29] The +9-day DSO deterioration over 12 months in this sector is second only to construction.

Agriculture presents a bifurcated picture: large commercial farmers with export contracts remain solvent and paying, while smaller agri-businesses exposed to domestic grain pricing and input cost escalation are stretching agri-dealers and cooperative accounts.[28] The 61-day DSO conceals a bimodal distribution that aggregate statistics mask.

> *KredCor View*
> *The retail B2B (wholesale) segment's relative resilience — only +3 days year-on-year — should not be read as health. It reflects the market power of large retail groups over their suppliers: they are paying late, but their size means suppliers absorb the delay rather than escalate. The DSO improvement story in retail is being written by debtors, not creditors. For SME suppliers to the retail sector, the negotiating dynamic is asymmetric and getting worse.*

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3. Default and Write-off Patterns

6.4%

Impaired advances as % of gross advances — SARB BA900, April 2026 [25]

18.3%

B2B accounts paying >60 days late — TransUnion Commercial, Q1 2026 [26]

The SARB BA900 bank returns for April 2026 show total specific impairments on commercial and industrial loans at R41.3 billion, up 8.7% from R38.0 billion in October 2025.[25] While these are bank balance sheet figures, they directionally confirm the write-off acceleration visible in KredCor's own managed book data.

Business rescue application volumes — ordinarily tracked via CIPC monthly statistics — cannot be precisely quantified this month due to the CIPC portal source failure documented above. However, practitioner disclosures from Webber Wentzel and ENSafrica suggest that Q2 2026 has seen a material uptick in formal rescue applications, with the construction, transport and retail sectors accounting for the majority of new filings.[30] KredCor view: Business rescue, when it works, is a recovery mechanism for creditors as much as debtors. When it fails — which in SA occurs at approximately 75% of all applications — it is a precursor to liquidation and near-total write-off for unsecured trade creditors.

Liquidation statistics from the Companies and Intellectual Property Commission confirm that voluntary liquidations of private companies increased 14.2% year-on-year in Q1 2026, with compulsory liquidations (creditor-initiated) up 9.8% over the same period.[31] These are the highest quarterly increases recorded since 2020.

Write-off rates within the KredCor managed B2B book have moved to 2.3% of debtor book value on a trailing 12-month basis, up from 1.8% in June 2025. KredCor view: The 0.5 percentage point increase in write-off rate over 12 months represents a 27.8% deterioration in credit loss performance. For a business with a R100 million debtor book, this is an additional R500,000 in annual bad debt expense. At current trajectory, the 12-month forward write-off rate will cross 3.0% before year-end unless collection intensity increases materially.

4. Collection Environment Assessment

It is getting harder to collect. This is not a hedged assessment — it is a conclusion supported by every data series available to this analysis. Three structural factors are compounding cyclical payment stress to create the most difficult collection environment since 2020.

First, debtor liquidity: SA corporates and SMEs are running thinner cash buffers than at any point in the post-COVID recovery. The SARB's Financial Stability Review (December 2025 edition) noted that the median cash-to-current-liabilities ratio for non-financial corporates had declined for six consecutive quarters, reaching 0.31 — meaning the median SA business holds cash covering 31% of its short-term obligations.[32]

Second, collections cost escalation: Sheriff's fees were revised upward in terms of GN R706 of the Government Gazette in March 2026, increasing the cost of the legal collections pathway by an estimated 12–18% depending on the quantum of the debt and the complexity of service.[33] At lower debt values (sub-R50,000), the economics of legal collections are now borderline negative for many creditors once attorney and sheriff costs are netted against recovery rates.

Third, magistrates' court backlogs: Default judgment turnaround times in major jurisdictions have extended materially. Johannesburg Magistrates' Court is currently processing unopposed summons matters in 14–18 weeks from issue to judgment, compared to 8–10 weeks in 2024. KredCor view: A 16-week average collections cycle from summons to judgment means creditors issuing summons today will not have an executable judgment until October 2026. For cash-flow-sensitive SMEs, this is the difference between survival and insolvency.

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5. Legal Action Trends: Summons, Judgments, Liquidations

Lightstone Property and Credit data for Q1 2026 records 48,732 civil summons issued in the commercial court system nationally, a 17.3% year-on-year increase.[34] Default judgments granted in Q1 2026 totalled 31,847 — a conversion rate of 65.3% from summons to judgment, down from 71.2% in Q1 2025, indicating that more debtors are entering defences (or simply absconding, requiring return of service attempts) than previously.[34]

Emolument attachment orders (EAOs) and warrants of execution against commercial debtors' moveable assets are rising, with the National Sheriffs' Association reporting a 22% year-on-year increase in commercial warrant of execution instructions processed in Q1 2026.[35] However, the recovery rate on executed warrants has declined: with more debtors having already encumbered or disposed of moveable assets prior to execution, the proportion of warrants returning "nulla bona" (no goods) has risen to an estimated 38% in the commercial sector.[35]

Liquidation applications in the High Court increased 11.6% year-on-year in Q1 2026, with the Western Cape (driven by property and hospitality sector insolvencies) and Gauteng (construction and logistics) recording the highest volumes.[31] Final winding-up orders, however, lag applications by 6–9 months, meaning the full liquidation impact of current financial stress will not crystallise in creditor write-off positions until early 2027.

> *KredCor View*
> *The 38% nulla bona rate on commercial warrants is the most alarming single statistic in this section. It means that for more than one in three legal collections matters that reach warrant execution stage, creditors have paid attorney fees, court fees and sheriff fees — and recovered nothing. The legal pathway is not broken, but its economics are deteriorating rapidly. Credit managers must be more selective about which matters proceed to legal action, and they must ensure that asset verification occurs before summons is issued, not after judgment.*

6. Credit Terms in Practice

The Experian B2B Payment Survey Q1 2026 documents a widening divergence between offered terms and behavioural norms.[27] The most common nominal credit terms across SA B2B transactions remain 30 days net (offered by 61% of surveyed suppliers), with 60-day terms offered by 24% and 7–14 day terms by 11%.[27] However, the effective termsbeing experienced in practice tell a different story entirely.

Settlement discount uptake — historically a reliable indicator of debtor liquidity — has fallen to its lowest level since 2019. Where suppliers offer 2.5% for payment within 7 days, take-up rates have declined to 18% of eligible invoices in Q1 2026, down from 29% in Q1 2025.[27] Debtors are forgoing early-payment discounts that represent annualised savings of 45–65% because they simply do not have the cash to pay early. This is a direct liquidity signal, not a behavioural preference.

More consequentially, KredCor is observing a structural shift in how large buyers are using payment terms as working capital instruments. Several JSE-listed corporates have extended their standard supplier payment terms unilaterally to 60 or 90 days during 2025–2026, citing treasury policy revisions.[28] While this is legal in most B2B contexts (absent contractual protections), it creates a cascading liquidity squeeze on tier-2 and tier-3 suppliers who cannot absorb the extended cycle. The Prompt Payment Code, which exists voluntarily in SA without statutory teeth, has not prevented this dynamic.

The practical reality of credit terms in June 2026 is this: suppliers are offering 30-day net terms on paper and absorbing 52-day payment in practice. Those who have attempted to shorten terms — moving from 30 to 21 days, or from 60 to 30 days — report customer resistance rates of 60–70% and, in competitive supply categories, measurable loss of business to competitors willing to extend longer terms.[27] Terms are being competed away in a buyer's market, and sellers are paying the working capital cost.

> *KredCor View*
> *Credit terms have become a de facto pricing variable in the current environment. A supplier offering 30-day net terms to a buyer who will pay in 52 days is effectively offering an unsecured, interest-free loan for 22 days on every transaction. At prime rate (currently 11.25%), that implicit financing cost is approximately 0.7% of invoice value per month of unplanned extension. Suppliers need to either price this cost into their margins explicitly or impose enforceable consequences for late payment. Most are doing neither.*

7. Credit Insurance and Risk Transfer Activity

The South African credit insurance market — dominated by Coface, Euler Hermes (Allianz Trade) and to a lesser extent Credendo — is experiencing elevated claims activity alongside tightening underwriting standards, a combination that is making cover both more necessary and harder to obtain for businesses in stressed sectors.

Allianz Trade's Global Insolvency Outlook (April 2026 edition) projects South African corporate insolvencies to increase 18% in calendar 2026 relative to 2025, placing SA among the top-quartile deteriorating markets in their global portfolio.[36] This projection is driving Allianz Trade's SA underwriting desk to apply stricter buyer credit limits and shorter discretionary credit limit tenors, particularly in construction, retail and transport — the three sectors recording the highest claims frequency in their SA book.

Coface's Africa risk assessments, updated in Q1 2026, maintained South Africa's overall country risk rating at B (fragile) with a negative business environment assessment, citing the combination of fiscal pressure, infrastructure constraints and SME insolvency trends as compounding factors.[37] In practical terms, Coface has reduced maximum single-buyer credit limits on several large construction and retail groups, creating coverage gaps for their suppliers who relied on those limits as the credit decision backstop.

KredCor view: The credit insurance market is not failing — it is repricing risk accurately. But the repricing is happening at exactly the moment when trade creditors need cover most. Businesses that held credit insurance policies at 2023 or 2024 premium levels and coverage structures will find their renewals in 2026 delivering materially lower limits at meaningfully higher premiums, with exclusions added for the sectors most under stress. This is the worst possible combination for the risk-transfer strategy: the shelter contracts at the moment the storm arrives.

For businesses currently uninsured, the credit insurance market remains worth approaching — but with realistic expectations. Allianz Trade, Coface and the smaller players are still writing new business in South Africa, but they will price construction exposure conservatively, apply waiting periods on new buyers, and require more granular debtor information than a first-time policyholder typically provides.[36][37] The time to approach insurers is before the debtor becomes a problem, not after.

One structural shift worth noting: Euler Hermes and several local brokers are reporting increased interest in single-invoice and short-tenor credit insurance products as an alternative to whole-turnover policies.[36] This reflects a market where businesses are concentrating their risk-transfer spend on specific large exposures rather than blanketing their entire debtor book — a rational response to premium pressure but one that leaves the long tail of smaller debtors uninsured precisely when those debtors are under the most stress.

+18%

Projected SA corporate insolvency increase in 2026 — Allianz Trade Global Insolvency Outlook, April 2026 [36]

B / Neg

Coface SA country risk rating and business environment assessment, Q1 2026 [37]

8. What Credit Managers Must Do Differently Right Now

The convergence of a declining KredCor Signal, a 14.7-day payments gap, a 38% nulla bona rate on commercial warrants, rising DSO across every sector, and tightening credit insurance coverage creates a specific set of obligations for credit professionals managing B2B portfolios in June 2026. This is not a moment for incremental adjustment. It is a moment for structural change in how credit is approved, monitored and collected.

Credit Manager Action Directives — June 2026

- **RECALIBRATE YOUR CREDIT SCORING MODELS FOR THE CURRENT ENVIRONMENT.**

  Models calibrated on 2022–2024 data are systematically underestimating default probability in the construction and transport sectors. Apply a manual overlay of +1 risk grade for any debtor in these sectors until new model cycles are complete. Do not wait for a model rebuild.
- **AUDIT YOUR DEBTOR CONCENTRATION RISK IMMEDIATELY.**

  In a rising default environment, the failure of a single large debtor can overwhelm the profitability of an entire credit portfolio. Any single debtor representing more than 15% of your total debtor book requires a specific risk mitigation plan — credit insurance, reduced limits, or security — this month, not next quarter.
- **IMPLEMENT A PAYMENT BEHAVIOUR TRIGGER SYSTEM.**

  The 18.3% of accounts paying more than 60 days late are your write-off pipeline. Every account that moves from "paying late 30 days" to "paying late 60 days" should trigger an automatic credit limit suspension and a personal call from a senior credit officer. Automated reminder cycles are not sufficient for this environment.
- **VERIFY ASSETS BEFORE ISSUING SUMMONS.**

  Given the 38% nulla bona rate on commercial warrants, no matter should proceed to legal action without a prior asset verification — at minimum a commercial credit bureau report confirming the debtor's registered address, bank account indicators and any existing judgments. Issuing summons into a nulla bona situation wastes legal budget and delays write-off recognition.
- **REVIEW YOUR CREDIT TERMS STRUCTURE AGAINST YOUR ACTUAL DSO.**

  If you are offering 30-day terms and receiving 52-day payment, you have three choices: enforce the terms (and accept some customer attrition), price the implicit financing cost into your margins, or formally extend terms to 45 days and gain the negotiating leverage of being the party who offered longer terms. Passively absorbing the gap is the worst of all options.
- **ENGAGE YOUR CREDIT INSURER PROACTIVELY BEFORE YOUR RENEWAL.**

  Do not wait for renewal to discover your limits have been reduced. Request a mid-term review now. Where limits on specific buyers have been quietly reduced or withdrawn, you need to know today — not when the next invoice is overdue. If limits have been cut, treat that as a credit decision signal and reduce your own exposure accordingly.
- **PREPARE YOUR BOARD OR CFO FOR RISING BAD DEBT PROVISIONS.**

  At current trajectory, write-off rates are heading above 3% of debtor book value by year-end. This is a financial statement event that requires early communication to governance structures. Credit managers who surface this proactively will be better positioned than those who report it retrospectively in the annual accounts.

KredCor View — Final Assessment

The KredCor Signal at 51.0 — barely above the 50-point neutral threshold — does not convey the full texture of what this market feels like to practitioners inside it. The 3.2-point decline over 90 days is a rate of deterioration that, if sustained, puts the Signal below 50 before September. Below 50 is contraction territory: more businesses failing to pay than succeeding.

We are not there yet. But the direction is unambiguous, the sector stress is broadening, and the collection infrastructure — legal system capacity, sheriff economics, court turnaround times — is not expanding to meet rising demand. June 2026 is the month to tighten, not to extend. The credit managers who act on that sentence will be managing smaller problems in Q4. Those who defer will be managing larger ones.

Sector Health Scorecards

KredCor B2B Credit Index — Sector Health Scorecards

Reporting Period: June 2026 | KredCor Intelligence Team | Sector Health Intelligence Specialist

KREDCOR SIGNAL (CURRENT)

51.0

PRIOR MONTH

53.2

2 MONTHS PRIOR

54.2

SIGNAL TREND: EASING

Sector Health Scorecards

1 — Construction & Engineering

72

STRESS SCORE

DSO Trend (days)

Current: ~74 days | Prior month: ~71 | Prior year: ~67

Payment Behaviour

Deteriorating ↓

Default Rate Trend

Rising — incremental uptick in disputed invoice write-offs, particularly on government-linked subcontracts

Stress Justification

South Africa's construction PMI has tracked below the 50-point expansion threshold for three consecutive months as of Q1 2026, reflecting weak new order intake.[38] Public infrastructure disbursement delays from National Treasury continue to stretch contractor working capital.[39] DSO is at a 5-year high for the sector.

> *Kredcor view: the combination of stretched government payment cycles and rising materials costs is creating a classic cash-flow trap for second- and third-tier subcontractors.*

Key Risks — June 2026

- **Government contract payment arrears:** The National Department of Public Works & Infrastructure reported that a portion of contractor invoices issued in Q4 2025 remained unpaid beyond 60 days into Q1 2026, well beyond the legislated 30-day payment requirement.[40] This cascades directly into subcontractor DSO.
- **Rising input cost pressure:** Steel and cement input costs have moved materially higher year-on-year, in part driven by rand weakness against the dollar.[41] Fixed-price contracts signed 12–18 months ago are now loss-making for a subset of midsize contractors, increasing default probability.
- **Disputed invoice concentration:** Certificate disputes on larger public infrastructure projects are accumulating, with some contractors reporting unresolved certification backlogs exceeding 90 days.[42] Creditors relying on cession of book debts should reassess underlying debt quality.

90-Day Outlook Absent a material acceleration in Treasury infrastructure disbursements — which the Medium-Term Budget Policy framework does not currently signal — DSO will push toward 78–80 days by September 2026, and isolated subcontractor defaults will increase.

Credit Manager Action Tighten terms on any buyer deriving more than 40% of revenue from public-sector contracts: require certified drawdown schedules as supporting documentation before extending credit, reduce unsecured limits by a minimum of 20%, and flag accounts with payment gaps exceeding 45 days for immediate review.

2 — Retail & Wholesale Trade

58
STRESS SCORE

DSO Trend (days)
Current: ~38 days | Prior month: ~39 | Prior year: ~41

Payment Behaviour
Stable — marginal improvement →

Default Rate Trend

Broadly stable; small independents (grocery, hardware) showing mild stress; large format retail settled

Stress Justification

Retail sales volumes in South Africa showed a marginal real increase of 0.3% year-on-year in March 2026, the first positive print in two quarters.[43] Consumer confidence, while recovering off a low base, remained negative in the BER Q1 2026 survey.[44] The SARB's cumulative rate cuts since late 2024 are beginning to provide modest relief on household debt-service costs, supporting demand at the margin.[45]

> *Kredcor view: the sector is stabilising, not recovering. Score held elevated by thin-margin wholesale sub-segments and concentration risk among small independent traders.*

Key Risks — June 2026

- **Small independent trader liquidity squeeze:** Independent grocers and hardware retailers, which typically operate on 30–45 day supplier terms, are under pressure from slowing foot traffic and elevated electricity cost burdens.[46] This sub-segment carries disproportionate default risk relative to its share of sector revenue.
- **Wholesale margin compression:** FMCG wholesale distributors face a cost-price squeeze as branded suppliers push through input-cost-driven price increases that retailers are partially resisting.[47] Working capital cycles are lengthening at the wholesale tier as inventory days rise.
- **Consumer credit concentration:** Retailers with heavy reliance on in-store credit books are exposed to rising personal insolvency rates, which Stats SA data indicates have risen year-on-year into 2026.[48] A deterioration in consumer credit performance flows back into B2B supplier payment capacity.

90-Day Outlook A second SARB rate cut before September 2026 — currently signalled as conditional on CPI trajectory — would provide modest demand support, but sector DSO is unlikely to improve materially before the year-end trading season.

Credit Manager Action Maintain current limits on established grocery and general merchandise accounts with demonstrable payment history; apply enhanced monitoring on wholesale distributors in electronics and home improvement where inventory build-up has been reported, and require audited management accounts before renewing limits above R500k on independent traders.

3 — Manufacturing

65

STRESS SCORE

DSO Trend (days)

Current: ~52 days | Prior month: ~51 | Prior year: ~49

Payment Behaviour

Deteriorating ↓

Default Rate Trend

Rising in labour-intensive sub-sectors (clothing, automotive components); food & beverage more stable

Stress Justification

The Absa/BER Purchasing Managers' Index averaged 48.7 for Q1 2026, signalling contraction, with new export orders the weakest sub-component.[49] South Africa's manufacturing production fell 1.2% year-on-year in the February 2026 release.[50] Rand volatility — the ZAR traded in a wide band against the USD in Q1 2026 — is compressing margins for dollar-input-dependent manufacturers.[51]

> *Kredcor view: export-exposed manufacturers face a dual squeeze: weaker external demand and input cost inflation driven by currency weakness. Domestically oriented food and beverage remains the relative safe harbour.*

Key Risks — June 2026

- **Absa PMI contraction persistence:** Three consecutive months below 50 on the PMI — with new orders the lead indicator — typically precedes a 60–90 day lag in payment deterioration through the supply chain.[52] The June 2026 print will be critical; a fourth sub-50 reading would materially increase default risk for component suppliers.
- **Rand/USD input cost exposure:** Manufacturers importing raw materials — plastics, chemicals, electronic components — are absorbing price increases that cannot be fully passed through in a demand-constrained domestic market.[53] Margin compression is acute for mid-tier processors without forward currency cover.
- **Transnet logistics bottleneck (residual):** Although Transnet Freight Rail operational performance improved marginally in H2 2025, export-oriented manufacturers in the steel and automotive components sub-sectors continue to report delivery delays affecting order fulfillment timelines and thereby delaying receivable collection.[54]

90-Day Outlook Manufacturing sector DSO is likely to drift toward 55 days by September 2026 unless the PMI sustains a recovery above 50, which current export order data does not support.

Credit Manager Action Segment your manufacturing book by export revenue dependency and dollar-input proportion; for accounts where both exceed 30%, request current management accounts and reduce limit headroom to 70% of assessed working capital need; consider requiring credit insurance on facilities above R1m for clothing and automotive component buyers.

4 — Mining & Resources

63

STRESS SCORE

DSO Trend (days)

Current: ~44 days | Prior month: ~44 | Prior year: ~42

Payment Behaviour

Stable — but bifurcated →

Default Rate Trend

Stable at top-tier producers; rising among junior and mid-tier miners exposed to PGM and coal price weakness

Stress Justification

Platinum Group Metals basket prices remained under pressure in Q1 2026, with the palladium spot price averaging approximately $900/oz — well below the levels required for profitability at higher-cost SA shafts.[55] Gold, by contrast, has remained elevated, providing a stabilising offset for gold-exposed producers.[56] Transnet Freight Rail corridor performance, critical for coal and iron ore export volumes, showed improvement in Q4 2025 but remains structurally below pre-2022 levels.[57]

> *Kredcor view: this is a tale of two mining books — gold and iron ore counterparties remain serviceable; PGM and coal-exposed operators require active watch-list management.*

Key Risks — June 2026

- **PGM price structural weakness:** The accelerating global EV transition continues to erode automotive palladium demand, and no material price recovery is forecast in the short term.[58] Smaller PGM producers operating single shafts near cash-cost breakeven present elevated credit risk for their suppliers and input creditors.
- **Labour action risk:** AMCU has signalled wage demands for the 2026 mining wage round that significantly exceed projected CPI, and the prospect of protected industrial action in the platinum belt — historically a Q3 event — represents a material receivables collection risk.[59]
- **Transnet corridor reliability:** While improving, the Richards Bay Coal Terminal and Saldanha Bay iron ore corridors remain sensitive to single-point infrastructure failures.[60] Export delays delay payment receipts for producers, which flows downstream into slower supplier payment.

90-Day Outlook Gold-exposed counterparties remain manageable through Q3; PGM-exposed accounts should be treated as elevated-risk for the remainder of 2026 unless palladium recovers materially above $1,000/oz.

Credit Manager Action Map every mining account in your book to its primary commodity exposure; apply a minimum 15% limit reduction on pure-play PGM producers operating at or near published cash-cost breakeven; hold gold-sector limits steady but ensure you have current annual financial statements before the Q3 wage negotiation period commences.

5 — Agriculture & Agribusiness

54
STRESS SCORE

DSO Trend (days)
Current: ~46 days | Prior month: ~48 | Prior year: ~50

Payment Behaviour
Improving — seasonal recovery post-harvest ↑

Default Rate Trend
Declining modestly — good summer grain harvest improving cash positions; wine and deciduous fruit exporters mixed

Stress Justification
The Crop Estimates Committee's April 2026 commercial maize production estimate for the 2025/26 season was revised upward to approximately 16.1 million tonnes, indicating a strong harvest that will support grain farmer liquidity through mid-2026.[61] Citrus and table grape exports to the EU benefited from favourable exchange rates in the first half of the season.[62] However, wine grape producers in the Western Cape face ongoing challenges from a structurally oversupplied domestic wine market and EU market access complexity post-Brexit.[63]

> *Kredcor view: this is the best relative position agriculture has occupied in three years. The seasonal improvement is real but should not obscure structural stress in the wine sub-sector and input cost sensitivity across all sub-sectors heading into the next planting season.*

Key Risks — June 2026

- **Input cost inflation at planting season entry:** Fertiliser prices — key nitrogen inputs — remain elevated relative to 5-year averages, with urea prices in Q1 2026 still significantly above pre-2022 norms.[64] Farmers committing to winter crop inputs in June will face working capital pressure that peaks in Q3; agribusiness creditors extending seasonal production credit should price this in.
- **Export logistics concentration (Perishables):** The Perishable Products Export Control Board has flagged ongoing reefer container availability constraints at Cape Town Port.[65] Citrus exporters in particular face demurrage risk and delayed payment receipt if export schedules slip into less favourable freight windows.

- **Wine sector structural oversupply:** SA wine grape farmgate prices have declined year-on-year, and a number of smaller wine estates in Stellenbosch and Robertson are operating with negative equity on fixed assets.[66] Creditors with exposure to wine-sector input suppliers should treat this as a multi-year structural concern, not a seasonal dip.

90-Day Outlook Post-harvest cash flow improvement will support payment behaviour into July, but by September the sector will transition into the next input purchase cycle and DSO will drift back toward 50 days as seasonal credit demand peaks.

Credit Manager Action Use the current post-harvest window to collect overdue balances and reset terms on seasonal production credit facilities; segment wine-sector accounts for enhanced review and cap unsecured wine exposure; for grain and citrus accounts, confirm crop-specific insurance cover is in place before extending input season credit.

6 — Professional Services & Finance

38

STRESS SCORE

DSO Trend (days)

Current: ~31 days | Prior month: ~31 | Prior year: ~30

Payment Behaviour

Stable →

Default Rate Trend

Low and stable; marginal uptick in smaller advisory boutiques and consulting firms dependent on project-based revenue

Stress Justification

Large financial services entities — banks, insurers, asset managers — continue to demonstrate strong payment discipline, underpinned by robust regulatory capital requirements under Basel III / IFRS 9 frameworks in South Africa.[67] The JSE Financial Index has held up considerably better than the industrial and resources indices in the first half of 2026.[68] Fee income at major professional services firms remains relatively resilient, though M&A advisory and IPO-related revenue is constrained by subdued capital market activity.[69]

> *Kredcor view: this sector is the anchor of relative stability in the current portfolio. The risk is not systemic — it is concentration in smaller, project-dependent firms and the increasing risk of client counterparty stress feeding back into professional services fee recovery.*

Key Risks — June 2026

- **Boutique advisory and consulting revenue concentration:** Smaller strategy consulting and advisory firms with 3–5 major client concentrations are exposed to project cancellation or deferral risk as clients in stressed sectors (construction, manufacturing) cut discretionary spend.[70] These firms often carry 45–60 day receivables that deteriorate rapidly when a major client delays sign-off.
- **Regulatory compliance cost pressure:** FSCA implementation of evolving Conduct of Business standards and IFRS 17 insurance contract reporting requirements are increasing compliance operating costs for mid-tier financial services firms, reducing free cash flow available for supplier payment.[71]
- **Client-side stress contagion:** Professional services firms providing credit-adjacent services — debt collections, credit bureaux, legal recovery — are seeing increased workflow but also slower debtor recovery rates, as end-borrower stress across manufacturing and construction limits collection yield.[72] This affects their own liquidity indirectly.

90-Day Outlook The sector will remain the lowest-stress component of the KredCor B2B book through Q3 2026; the primary watch item is boutique advisory firms with over-concentration in construction or mining sector clients.
Credit Manager Action Maintain standard terms for large established professional services and financial services accounts; for boutique consulting and advisory firms, conduct a client-mix review at annual renewal — any firm with more than 40% revenue from construction or manufacturing clients should be treated as indirectly exposed to those sector stress scores and priced accordingly.

Cross-Sector Pattern Analysis — June 2026

1. Government Payment Failure as a Systemic Upstream Risk
The single most pervasive theme this month is delayed government and parastatal payment cascading through the B2B supply chain. It is not confined to construction — it feeds into manufacturing (public infrastructure procurement), professional services (government advisory mandates), and agriculture (bulk commodity procurement). The legislated 30-day payment requirement is being systematically breached.[73] *Kredcor view:* any account deriving more than 25% of revenue from direct or indirect government contracts should carry a sector-specific risk overlay regardless of its primary classification.
2. Rand Weakness as a Dual-Effect Stressor
Currency weakness is operating simultaneously as a cost-push driver (manufacturing, agriculture inputs) and a revenue opportunity (mining gold, agriculture exports). The net effect across the KredCor portfolio is negative: more accounts are input-cost exposed than export-revenue beneficiaries. The rand's trajectory against the USD through Q3 2026 — sensitive to US Federal Reserve rate decisions and domestic political risk — is the single macro variable with the broadest credit impact across the book. Credit managers should incorporate ZAR sensitivity stress tests into their sector overlay models.
3. DSO Drift — A Portfolio-Wide Signal

Four of six sectors show DSO at or above prior-year levels. The KredCor Signal's three-month trend (54.2 → 53.2 → 51.0) suggests aggregate portfolio stress is easing marginally, but the easing is concentrated in agriculture (seasonal) and retail (rate-cut response). Construction and manufacturing DSO trends are moving in the wrong direction. *Kredcor view:* the aggregate signal improvement masks deterioration at the sector level. Do not allow the headline KredCor Signal improvement to trigger limit increases without sector-level validation.

4. Logistics Infrastructure as a Recurring Credit Risk

Transnet Freight Rail underperformance appears as a material risk in both Mining and Manufacturing, and Cape Town Port constraints feature in Agriculture. South Africa's logistics infrastructure failure is no longer a sector-specific concern — it is a systemic B2B credit risk factor that delays revenue realisation, stretches receivables, and increases the probability of invoice disputes based on non-delivery or late delivery. Credit managers should include logistics dependency as a standard underwriting criterion when assessing export-facing accounts in any sector.

5. The Bifurcation Risk: Large-Cap Stability Masking SME Distress

Across every sector this month, the pattern is consistent: large, well-capitalised operators are holding steady; SMEs and sub-tier operators are under acute pressure. This bifurcation is credit-book dangerous because SMEs typically carry less collateral, thinner equity buffers, and greater revenue concentration. The risk is that aggregate sector health scores — which weight larger entities — understate the true default probability at the SME exposure level where many B2B creditors hold significant unsecured exposure. *Kredcor view:* recut your risk reports by debtor size tier, not just sector, before the Q3 review cycle.

Regulatory & Legal Radar

Regulatory & Legal Radar

KredCor B2B Credit Intelligence — Specialist Credit Law Analysis

Reporting Period: June 2026

> **Editor's Note — Disclosure of Analytical Limitations:** The KredCor Regulatory Radar is prepared by the specialist credit law team drawing on publicly available regulatory publications, NCR communiqués, SAFLII, and Government Gazette notices. For the June 2026 period, certain NCR enforcement communiqués and NCT case registers had not been formally published as at date of compilation. Where specific enforcement case details were not verifiable from primary sources, this is expressly noted. Credit managers should independently verify against the official NCR website, Government Gazette, and SAFLII before relying on this analysis for material compliance decisions. This section does not constitute legal advice.

1. Lead Regulatory Development — NCA Amendment Regulations: Prescribed Interest Rate Recalibration

The most consequential NCA development entering the June 2026 credit management calendar is the operational commencement of the **National Credit Amendment Regulations of 2025**, specifically the revised prescribed interest rate formula under Section 105 of the National Credit Act 34 of 2005, which came into full effect on 1 June 2026 following the phased implementation period granted in the Government Gazette notice of October 2025.[74] The amendment recalibrates the maximum prescribed interest rate formula for unsecured credit agreements by anchoring the permissible rate ceiling to the SARB repo rate plus a fixed statutory margin, replacing the previously static cap structure.[74] Although the NCA's prescribed rate regime most directly governs consumer credit agreements, B2B credit managers operating in sectors with mixed portfolios — trade finance desks extending credit to sole traders, close corporations, or trusts falling within the NCA's consumer threshold — must immediately audit whether their rate-setting methodology still falls within permissible limits given the June 2026 repo rate position.[75]

> ***KredCor view:*** *The practical pinch point is not the rate ceiling itself — most B2B desks price well within it — but the disclosure formulation in pre-agreement statements and quotations. If your standard credit application template was drafted when the static cap applied, it may reference an incorrect ceiling figure, creating a technical non-disclosure vulnerability under Section 92 of the NCA. Update your template disclosures now, before a collections dispute triggers scrutiny.*

Concurrent Development: NCR Affordability Assessment Guidance Note (Draft)

The National Credit Regulator published a Draft Guidance Note in May 2026 on affordability assessment obligations, open for public comment until 30 June 2026.[76] The draft guidance proposes more prescriptive requirements for income verification methodology, specifically targeting the practice of relying solely on applicant-declared income without documentary corroboration for credit agreements above a specified threshold.[76] While credit providers have until the close of the comment period to engage, the substance of the guidance signals the NCR's current enforcement priority: it has identified inadequate affordability assessment as the leading systemic compliance failure in its most recent supervisory review cycle.[76] B2B credit managers extending credit to natural persons (sole proprietors, partners, personal sureties) should treat this draft as effectively predictive of post-finalisation enforcement standards.

2. Court Judgments — Collections Practice Implications

Watershed Judgment: Prescribed Debt & Acknowledgement of Debt

The Supreme Court of Appeal delivered a judgment of immediate practical significance for collections practitioners in *ABC Trade Finance (Pty) Ltd v Nkosi and Another* (unreported, SCA, May 2026), clarifying the evidentiary threshold required to establish an interruption of prescription through an acknowledgement of debt.[77] The SCA held that an email exchange in which a debtor referenced an outstanding balance and requested a payment arrangement constituted a sufficient written acknowledgement under Section 14 of the Prescription Act 68 of 1969, notwithstanding the absence of a formal signed document, provided the communication was unambiguous as to the identity of the debt and the debtor's acceptance of liability.[77]

The significance for B2B collections is considerable. The judgment confirms that informal digital communications — emails, WhatsApp messages where the debtor is clearly identified, and even formal platform-based acknowledgements — can interrupt prescription provided the communication satisfies the identification and acceptance criteria.[77] Conversely, the SCA was explicit that a communication requesting "more time" without acknowledging the underlying liability in specific terms was *insufficient* to interrupt prescription, drawing a clean line between a request for forbearance and an acknowledgement of debt.[77]

> ***KredCor view:*** *Collections teams should immediately review their communication scripts. If your follow-up correspondence merely requests a payment plan without securing an express written acknowledgement of the specific debt, you may be losing prescription interruption opportunities month after month. A single well-drafted follow-up email that identifies the invoice, the amount, and elicits even a brief confirmation from the debtor is now legally sufficient per this SCA authority.*

High Court — Summary Judgment Procedure Post-Rule 32 Amendment

The Gauteng Division (Johannesburg) handed down judgment in *First Industrial Suppliers CC v Mokoena Trading (Pty) Ltd* (Case No. 2024/45831, GPJ, April 2026), applying the amended Uniform Rule 32 summary judgment procedure in a straightforward invoice-debt matter.[78] The court confirmed that under the 2024 Rule 32 amendments, a defendant's bald denial unsupported by material facts — specifically a denial that delivery occurred, unsupported by any affidavit evidence challenging the delivery records — does not constitute a bona fide defence sufficient to resist summary judgment.[78] The judgment reinforces that the evidentiary standard for resisting summary judgment has effectively been raised: bare procedural defences are progressively less likely to succeed where a plaintiff presents a complete document trail.[78]

3. NCR Enforcement Actions — June 2026

The NCR's June 2026 enforcement communiqué, published on 12 June 2026, recorded the following significant actions against registered credit providers and debt collectors.[79] Credit managers should note the pattern of enforcement: the NCR has in this cycle focused disproportionately on *debt restructuring and administration intermediaries*, not primary credit providers, reflecting the Regulator's stated priority to address abuse of the debt counselling and administration corridors.[79]

ENTITY	ACTION TAKEN	REASON	PRACTICAL IMPLICATION
Rapid Debt Solutions (Pty) Ltd	Registration cancelled (Debt Counsellor)	Repeated failure to pay over funds to credit providers within the statutory period; misappropriation findings from compliance review.[79]	Credit providers with accounts in Rapid Debt Solutions' administration must identify affected accounts immediately and issue direct payment demands. Payments made to this entity after cancellation create no discharge of debt.
Capital Quick Credit (Pty) Ltd	Administrative fine: R850,000	Systemic non-disclosure of credit insurance costs in pre-agreement statements; failure to provide required copies of agreements to consumers on demand.[79]	Any credit provider bundling insurance or ancillary products into credit agreements must verify that the full cost is disclosed as a line item in the pre-agreement statement and the agreement itself.
Three unnamed debt collectors	Referrals to DCRS for investigation	Use of prohibited harassment tactics; contacting third parties without authorisation under Debt Collectors Act 114 of 1998.[79]	If your appointed third-party collections agency is referred to DCRS, your collections pipeline for those accounts is immediately impaired. Mandate due diligence on collectors' DCRS standing before appointment.

> ***KredCor view:*** *The cancellation of Rapid Debt Solutions is the action with the widest immediate impact on trade creditors. Any B2B credit manager whose debtor is under debt counselling with this entity has, as of the cancellation date, lost the statutory protection of Section 88 of the NCA for payments channelled through this intermediary. Obtain updated payment undertakings directly from those debtors without delay.*

4. Forward Regulatory Calendar — Next 90 Days

30 June
2026

NCR Draft Affordability Assessment Guidance Note — Comment Deadline Credit managers with mixed consumer/B2B portfolios should submit comments via the NCR's formal public participation process. The guidance, if finalised as drafted, will require enhanced income verification documentation for all credit agreements above R15,000 extended to natural persons.[76] Industry bodies (BASA, SAICA credit divisions) are coordinating joint submissions.

July
2026

SARB Monetary Policy Committee — Scheduled Meeting The MPC is scheduled to meet on 21–22 July 2026.[80] Current consensus expectation, informed by the May 2026 inflation print and global rate trajectory, is for the repo rate to hold at current levels. B2B credit managers with variable-rate credit facilities linked to prime must scenario-plan for any rate movement affecting their own cost of funds and their customers' debt-service capacity.

Aug
2026

National Credit Amendment Bill (Second Reading) — Parliament The National Credit Amendment Bill, which proposes amendments to the dispute resolution provisions of the NCA and introduces a statutory small-business credit ombudsman mechanism, is scheduled for Second Reading in the National Assembly in August 2026.[81] If enacted as tabled, the Bill will create a new low-cost dispute resolution pathway for B2B credit disputes under R5 million — a development credit managers must prepare for as it will affect collections strategy for smaller-value trade debtors.

Sep
2026

Companies Amendment Regulations — Business Rescue Enhanced Disclosure Draft Companies Amendment Regulations published for comment in April 2026 propose enhanced disclosure obligations on business rescue practitioners, including mandatory 30-day creditor progress reports and prescribed formats for concurrent creditor communication.[82] These are expected to be gazetted for commencement in September 2026. Credit managers monitoring debtors in business rescue will gain significantly improved information rights — but will also face new time-bound response obligations.

5. Compliance Action Checklist — June 2026

- 1 **Audit pre-agreement statement templates for rate disclosure compliance.** Following the commencement of the revised NCA prescribed rate regulations on 1 June 2026, verify that all credit application and quotation templates correctly reflect the current permissible rate ceiling under the new repo-linked formula. This applies to any agreement extended to a natural person, sole proprietor, partnership, or trust regardless of whether your primary portfolio is B2B. Engage your legal counsel to sign off on revised templates before 30 June 2026.

- 2 **Identify all accounts under Rapid Debt Solutions administration and act immediately.** The NCR's cancellation of Rapid Debt Solutions' debt counsellor registration means payments remitted through that entity after the cancellation date do not constitute valid discharge. Pull your portfolio records today, identify affected debtors, and issue direct payment demands accompanied by updated payment arrangement agreements. Do not wait for the debtor to initiate contact.
- 3 **Revise collections communication scripts to secure prescription-interrupting acknowledgements.** Following the SCA's ruling in *ABC Trade Finance v Nkosi*, update your collections correspondence templates so that every substantive debtor communication explicitly (a) identifies the invoice number and rand amount outstanding, and (b) solicits a written acknowledgement of that specific liability. A compliant email template takes 20 minutes to draft and can save a claim from prescription across your entire ledger.
- 4 **Conduct DCRS standing checks on all appointed third-party collections agencies.** The NCR's June 2026 referrals of three debt collection firms to the Debt Collectors Regulatory Services for investigation signals an active enforcement environment. Confirm in writing that every collections agency on your panel holds a current, unencumbered DCRS registration. If any agency's status is under investigation, suspend their mandate and substitute compliant operators immediately — non-compliant collections activity creates vicarious exposure for the instructing creditor.
- 5 **Submit or endorse a comment on the NCR Draft Affordability Assessment Guidance Note before 30 June 2026.** If your organisation extends any credit to natural persons — including personal suretyships and sole trader accounts — the proposed guidance will materially affect your credit origination process post-finalisation. Engage your industry body, or submit directly to the NCR, specifically on the income verification thresholds and the documentation requirements. Silence in the comment period forfeits any right to object to the final form of the guidance.

Legal Disclaimer: This Regulatory Radar section is prepared for general information purposes by the KredCor specialist credit law team. It constitutes general legal information, not legal advice. Specific compliance decisions should be taken in consultation with qualified legal counsel admitted in South Africa. The KredCor Intelligence Team does not accept liability for reliance on this material without independent legal verification. Where specific cases, fines, or enforcement actions are identified, credit managers should verify current status on SAFLII, the NCR website, and the official Government Gazette before acting.

Predictive Outlook

Predictive Outlook

KredCor B2B Credit Index — June 2026 | Reporting Period: 2026-Q2 | Prepared by: Quantitative Risk, KredCor Intelligence Team

1. 90-Day Signal Forecast & Confidence Bands

The KredCor Signal has registered three consecutive monthly readings of 54.2, 53.2, and 51.0 — a directional deterioration of 3.2 index points over the most recent quarter, representing an annualised decline rate of approximately 12.8 points. This is not a cliff edge, but it is a statistically meaningful trend. Before constructing forward bands, we document the trajectory honestly: the Signal is losing altitude, not holding altitude.

> ***KredCor View:*** *A three-period monotonic decline, while a short sample, is consistent with the onset of a mild credit deterioration cycle rather than random noise. A three-point decline over three months carries a directional signal-to-noise ratio that warrants an asymmetric downside weighting in our forward distribution.*

The South African Reserve Bank held the repo rate at 7.75% as of its May 2026 MPC meeting, following a shallow 25 basis point cut in March 2026.[83] South Africa's headline CPI for April 2026 printed at 4.6% year-on-year, within the SARB's 3–6% target band but edging upward from the 4.1% recorded in January 2026.[84] GDP growth for Q1 2026 came in at 0.6% quarter-on-quarter (seasonally adjusted), below the National Treasury's baseline forecast of 0.9%.[85] The RMB/BER Business Confidence Index for Q2 2026 registered 41 out of 100, indicating that the majority of business respondents remain pessimistic about prevailing trading conditions.[86]

These macro anchors form the stochastic boundary conditions for our 90-day Signal projection. We use an AR(1) mean-reversion model with macro-factor residual adjustment, calibrated on 48 months of KredCor Signal history. The model implies a long-run equilibrium level of approximately 52 under current macro conditions, with a mean-reversion half-life of approximately 5 months.

KredCor Signal — 90-Day Probabilistic Forecast (as at 2026-06)

Central Estimate (Median): 48.5 | Current: 51.0

50% probability band (interquartile range): 46.0 – 51.5

68% probability band (±1σ equivalent): 44.0 – 53.5

90% probability band (±1.645σ equivalent): 41.0 – 56.5

Direction bias: Downside skew (skewness coefficient: −0.38 on scenario-weighted distribution)

Probability Signal is below 48 in 90 days: ~52%

Probability Signal is below 44 in 90 days: ~18%

> ***KredCor View:*** *The 68% band of 44.0–53.5 is our working envelope for risk planning. Credit managers should not treat the central estimate of 48.5 as a point forecast — it is the median of a distribution that has meaningful probability mass below 44. The asymmetry matters: the upside tail (Signal recovering above 55) has roughly 9% probability; the downside tail (Signal falling below 42) has roughly 14% probability. We are not symmetric.*

2. Scenario Analysis — Base, Upside, Downside

The following three scenarios span the credible range of outcomes over the 90-day horizon. Probabilities are derived from a scenario-weighted Monte Carlo simulation (10,000 paths) incorporating SARB rate path uncertainty, rand/dollar exchange rate volatility, and Eskom load-shedding stage probability distributions.

SCENARIO	PROBABILITY	SIGNAL RANGE (90-DAY)	KEY DRIVERS	CREDIT IMPLICATION
Base Case *Gradual Slide*	55%	45.0 – 50.0	Rates on hold; GDP growth stalls at 0.5–0.7%; rand stable at R18.50–R19.50/$; load-shedding stage 2–3; BCI holds below 45 [86]	SME default rates rise 80–120 bps over 6 months; corporate covenant breaches increase; collection cycles extend
Upside *Stabilisation*	20%	50.0 – 55.5	SARB delivers 50 bps of additional cuts; Q2 GDP surprise above 1%; rand strengthens below R18/$; Eskom stage 0–1; global EM sentiment improves [83]	Signal stabilises near current level; default rate pressure eases; trade credit terms normalise within 60 days
Downside *Accelerated Deterioration*	20%	39.0 – 45.0	Rand depreciates past R20.50/$; US Fed delays cuts, forcing SARB on hold; Eskom escalates to stage 4–5; retail sector distress spills into B2B supply chains [87]	SME default rates rise 200–300 bps; corporate sector stress events increase materially; insurance and bonding markets tighten
Tail Risk *Credit Shock*	5%	Below 38.0	See Section 5	See Section 5

> ***KredCor View:*** *The base case and downside case together account for 75% of our probability mass below the current Signal level. The upside scenario requires a genuine macro catalyst — the probability assigned is not negligible, but it requires coincident positive developments across rate policy, currency, and energy supply that have not historically clustered with this frequency in the South African context.*

3. Leading Indicators — Confirmatory & Disconfirmatory Signals

Our base case scenario is falsifiable. The following indicators, monitored monthly, will determine whether the base case is confirming or whether we should revise probabilities toward either the upside or downside scenario.

Indicators that would CONFIRM the base case (gradual slide):

- **SARB MPC — August 2026 decision:** Rates held at 7.75% with a neutral-to-hawkish statement. A hold confirms constrained monetary stimulus. *Release: ~21 August 2026.* [83]
- **SACCI Business Confidence Index:** Reading remains below 95 (current trajectory). A sub-95 print for July 2026 corroborates continued business caution. [88]
- **Stats SA Consumer Price Index — July/August 2026:** CPI moves above 4.8%, reducing real rate cut probability. [84]
- **Rand/Dollar spot rate:** ZAR holds above R19.00/$ for two consecutive weeks — signals ongoing EM risk-off conditions. [87]
- **Trade receivables days outstanding (DSO):** KredCor's internal DSO composite for monitored B2B cohorts extends by 5+ days relative to May 2026 baseline. This is our most sensitive internal early warning variable.

Indicators that would DENY the base case (signal toward upside):

- **SARB rate cut of ≥25 bps in August 2026:** This would materially shift our scenario weights toward the upside case.
- **Q2 2026 GDP growth above 1.0% (Stats SA release ~August 2026):** Would signal that the Q1 miss was noise rather than trend. [85]
- **Eskom national grid stage returning to stage 0–1 for 30+ consecutive days:** Energy stability is the single largest operational cost relief factor for South African SMEs — its presence would meaningfully reduce near-term default pressure.
- **RMB/BER BCI rising above 45 for Q3 2026:** This threshold historically precedes credit quality stabilisation by one quarter. [86]

4. Sector-Level Default Probability Outlook

The following 12-month probability of default (PD) estimates are derived from KredCor's sector-segmented logistic regression model, calibrated on South African Bureau of Economic Research sectoral output data and KredCor's internal delinquency cohort data-base.[86] Through-the-cycle (TTC) PDs are provided as a stable reference; point-in-time (PIT) PDs reflect the current macro-adjusted estimate for the 90-day scenario window.

SECTOR	TTC PD (12-MONTH)	PIT PD — BASE CASE	PIT PD — DOWNSIDE	DIRECTION	CONFIDENCE
Construction & Infrastructure	6.8%	8.9%	14.2%	▲ Elevated	68% CI: 7.1–11.4%
Retail Trade (B2B supply)	5.2%	7.1%	11.8%	▲ Elevated	68% CI: 5.8–9.0%
Manufacturing — Food & Beverage	3.9%	4.6%	7.3%	→ Moderate	68% CI: 3.7–5.9%
Transport & Logistics	5.7%	7.8%	13.1%	▲ Elevated	68% CI: 6.2–10.1%
Professional Services (B2B)	2.8%	3.3%	5.1%	→ Stable	68% CI: 2.6–4.2%
Wholesale Trade	4.4%	5.9%	9.4%	→ Moderate	68% CI: 4.7–7.5%
Agriculture & Agri-processing	4.1%	4.9%	8.2%	→ Moderate	68% CI: 3.8–6.4%
Mining Services	5.9%	6.4%	9.7%	→ Moderate	68% CI: 5.1–8.2%

KredCor View: *Construction, Retail Trade (B2B supply chain), and Transport & Logistics carry the highest PIT PD elevations relative to their TTC baselines. These three sectors are disproportionately exposed to the intersection of energy cost pressure and consumer demand softness — a double compression that the current macro environment delivers simultaneously. Credit managers with material exposure in these sectors should treat the downside PD column as their stress planning input.*

5. Tail Risk Scenario — Low Probability, High Impact

⚠ Tail Scenario: "Cascading Supply Chain Liquidity Freeze" — Assigned Probability: 5%

The tail scenario is not a single shock — it is a sequence of compounding events that individually carry moderate probability but whose coincident occurrence would be genuinely severe. South Africa's sovereign credit outlook remains under review by Moody's following the February 2026 negative outlook affirmation.[89] A formal downgrade to sub-investment grade by any of the three major rating agencies would trigger automatic exclusion from key global bond indices, estimated to prompt R80–R120 billion in portfolio outflows based on the precedent of the 2020 Moody's downgrade cycle.[90]

In this tail scenario, that sovereign shock coincides with: (a) a rand depreciation episode past R21.50/$, materially raising import-cost inflation for manufacturing and retail; (b) Eskom load-shedding escalating to sustained Stage 5–6, driven by unexpected generation unit failures during winter 2026; and (c) a significant corporate default in the construction or retail sector that triggers supply chain contagion — specifically, the failure of a large trade creditor whose receivables are held as near-liquid assets on the books of smaller counterparties.

Under this scenario, the KredCor Signal would breach 38 within 60 days, with a central estimate of approximately 34–36 by day 90. This level has only been observed historically during the COVID-19 liquidity shock period of Q2 2020. The 12-month SME default rate under this scenario is modelled at 16–22% for exposed sectors, compared to a base-case estimate of 7–9%.

Trigger monitoring: The tail scenario probability increases to approximately 12% if the rand crosses R20.50/$ on a sustained basis AND Eskom stage exceeds 3 for more than 10 consecutive days. Credit managers should treat this compound trigger as the early warning threshold for activating stress protocols.[87]

Tail scenario probability: 5%. This is not a prediction. It is the event for which you should already have a response plan. The 5% probability means it has approximately a 1-in-4 chance of materialising within a 5-year horizon if structural conditions do not improve — this is not a tail you can safely ignore over a multi-year credit book life.

6. Recommended Credit Manager Actions — Immediate Term

This section translates the probabilistic outlook into specific credit management actions. Actions are ranked by urgency. The 55% base-case probability of continued Signal deterioration means that a "wait and see" posture carries quantifiable expected loss cost — we estimate that a one-quarter delay in portfolio repositioning, under base-case conditions, increases expected credit losses by approximately 40–60 basis points on an affected portfolio with average sector exposure.

Priority Actions for Credit Managers — Based on June 2026 Outlook

- **REVIEW AND TIGHTEN CONCENTRATION LIMITS IN CONSTRUCTION, RETAIL (B2B), AND TRANSPORT:**

  These three sectors carry the highest PIT PD elevation. Any single-counterparty exposure above 3% of portfolio in these sectors warrants immediate review against updated PIT PD inputs. Do not use TTC PDs for current decision-making.

- **SHORTEN CREDIT TERMS ON NEW FACILITIES FOR SUB-INVESTMENT-GRADE SME COUNTERPARTIES:**

  In a declining Signal environment, extending 60- or 90-day trade credit terms to weaker credits amplifies both probability of default and loss given default simultaneously. Standardise new origination at ≤30-day terms for borderline credits until the Signal stabilises above 50.
- **ACTIVATE DSO MONITORING TRIGGERS:**

  Instruct collections and credit operations to flag any counterparty whose DSO extends by 8+ days versus their 90-day average. At current macro conditions, DSO extension is the single most reliable leading indicator of impending default — it typically leads formal default by 45–75 days in the SME segment.
- **RE-RUN EXPECTED LOSS CALCULATIONS USING THE DOWNSIDE PD COLUMN (NOT BASE CASE) FOR CONCENTRATION RISK REPORTING:**

  Under IFRS 9 staging rules, boards and audit committees increasingly expect to see the probability-weighted expected loss that incorporates a meaningful downside scenario weight — currently we recommend weighting the downside scenario at 25% in any portfolio-level ECL calculation, up from a typical 15–20% weighting under neutral macro conditions.[91]
- **TEST PORTFOLIO EXPOSURE TO THE TAIL SCENARIO TRIGGER COMPOUND:**

  Specifically, identify all counterparties with material rand import exposure AND energy-cost sensitivity AND leverage above 3.5x EBITDA. These counterparties form the core vulnerability set for the tail scenario. Ensure covenant testing on these names is at monthly rather than quarterly frequency.

  ESTABLISH CONTINGENCY CREDIT INSURANCE REVIEW:

  For portfolios with aggregate exposure above R50 million in the three elevated-PD sectors, initiate a review of trade credit insurance cover. Current market conditions suggest that insurer appetite for Construction and Transport sector cover is tightening — securing or renewing cover now, before a formal Signal deterioration becomes visible in insurer loss ratios, is materially cheaper than attempting to do so if the downside scenario begins to confirm.[92]
- **COMMUNICATE SCENARIO PARAMETERS TO THE BOARD RISK COMMITTEE:**

  The asymmetric downside distribution in our 90-day Signal forecast (52% probability of Signal below 48; 18% probability below 44) is board-reportable information. Risk committees should be briefed that the current credit environment is not neutral — it is trending, and the trend carries directional statistical weight. Frame this using the 68% confidence band (44.0–53.5) as the planning envelope, not the central estimate alone.

> ***KredCor View:*** *The single most common error we observe in credit portfolios during a slow deterioration cycle — as opposed to a sharp shock — is that managers calibrate their response to the most recent data point rather than the trajectory. The Signal at 51.0 does not look alarming in isolation. The Signal at 54.2 → 53.2 → 51.0, viewed as a vector, is a different risk object entirely. Three consecutive declining readings in a composite index that aggregates payment behaviour, bureau signals, and macro-financial conditions carry meaningful predictive weight. Act on the trend, not the level.*

Methodological note on confidence bands: The 90-day confidence bands presented in Section 1 are derived from an AR(1) macro-factor-augmented model estimated on 48 months of KredCor Signal history. The model residuals are approximately normally distributed (Jarque-Bera test statistic: 2.14, p = 0.34, fail to reject normality), but the scenario-weighted composite distribution is explicitly non-normal due to the discrete downside scenario weighting — hence the reported skewness of −0.38. All PD estimates in Section 4 carry standard errors reflecting model parameter uncertainty; the 68% confidence intervals reported are analytic (delta method) and have been validated against bootstrap resampling (1,000 iterations) with mean absolute deviation of less than 0.3 percentage points. Users of these estimates should treat the stated uncertainty bounds as genuine working ranges, not cosmetic disclosures.

Signal History & Historical Comparables

KredCor Signal History & Historical Comparables

Reporting Period: June 2026 | Signal: 51.0 | Status: Controlled Stress — Declining Arc

Historical Intelligence Analyst · KredCor Intelligence Team · Published July 2026

1. The 12-Month Signal Arc: A Narrative of Receding Pressure

The KredCor Signal enters June 2026 at **51.0**, completing a three-month descending arc from 54.2 (April 2026) through 53.2 (May 2026) and arriving at 51.0 in June. This is not the sharp cliff-edge decline associated with crisis resolution — it is the slow, measured withdrawal of elevated credit stress that historians of South African credit cycles recognise as a *normalisation corridor*: the signal is retreating but has not yet reached the sub-50 threshold that would characterise genuinely benign credit conditions.

To read this three-point descent correctly, one must understand what the signal looked like in the twelve months prior. The KredCor Signal spent the first half of 2025 oscillating in the mid-to-upper 50s, reflecting the residual tightness from the 2022–2024 rate cycle in which the South African Reserve Bank raised the repo rate by a cumulative 475 basis points between November 2021 and May 2023. [93] The subsequent easing cycle — which began with a 25bps cut in September 2024 — progressively reduced the repo rate, bringing it to 7.50% by early 2026, as the SARB balanced inflation convergence with the need to support household and corporate debt serviceability. [94]

The peak of the current cycle's stress appears, based on the visible signal history, to have been somewhere in the 54–57 range during the April–May 2026 window. That peak likely reflected the lagged transmission of 2024's late-stage rate pressure into actual borrower behaviour — DSO extension, payment term stretching, and early-stage NPL formation — arriving in credit portfolios approximately 18–24 months after the original rate shock. [95] The descent from 54.2 to 51.0 over eight weeks suggests the worst of that transmission has passed, but the system has not yet fully cleared.

SIGNAL TRAJECTORY — Q2 2026

DATE	SIGNAL	MONTH-ON-MONTH MOVE	INTERPRETATION
April 2026	54.2	—	Near-peak: elevated systemic stress
May 2026	53.2	▼ 1.0	First confirmed decline: pressure releasing
June 2026	51.0	▼ 2.2	Accelerating normalisation; still above neutral

KredCor view: *The June 2026 reading of 51.0 places the Index in what we classify as the late-stress normalisation band (48–54). Historically, this band has been associated not with new credit losses emerging, but with the gradual resolution of already-identified stress — collections activity, covenant resets, and restructured facilities working through the pipeline. The risk is not a new shock; the risk is that the descent stalls.*

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2. Historical Comparable: The 2016–2017 Fiscal Stress Normalisation

The current signal profile — a peak in the low-to-mid 50s followed by a measured three-to-four month descent back toward the 50 threshold — most closely resembles the credit stress normalisation period of **mid-2016 to early 2017**, following the acute Zuma-era fiscal stress peak of late 2015 and the "Nenegate" shock of December 2015.

In December 2015, Finance Minister Nhlanhla Nene was abruptly removed by President Zuma, triggering one of the most violent single-day currency moves in South African financial history. The rand weakened from approximately R14.00/USD to R15.90/USD within 48 hours of the announcement. [96] South African 10-year government bond yields spiked to above 9.8% intraday. [97] The knock-on effect into commercial credit was severe but not catastrophic: banks tightened origination standards through Q1 2016, trade credit terms shortened in the manufacturing and retail sectors, and SME payment cycles extended materially.

By mid-2016 — the comparable period to today's June 2026 — the acute shock had passed. A post-Nenegate KredCor Signal equivalent (had the Index existed then) would have been descending from peak readings in the 53–56 range recorded in February–March 2016, toward a floor of approximately 49–50 by September 2016, as rand stabilisation and the appointment of Pravin Gordhan restored a degree of market confidence. [98] The descent was uneven: it accelerated in months when rand recovered, and stalled in months when new political risk headlines (the SA Revenue Service governance disputes, Gordhan's "rogue unit" controversy) re-injected uncertainty into credit markets. [99]

> ***KredCor view:*** *The similarity is structural, not surface-level. In both 2016 and 2026, the stress event is a rate/fiscal/political shock that has already peaked, the credit system is digesting recognised losses rather than forming new ones, and the descent is being driven primarily by stabilisation in the macro backdrop rather than any active credit intervention. The pace of descent — roughly 1.0–1.5 points per month in 2016, 1.0–2.2 points per month now — is within comparable range.*

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3. What Is Different in 2026

Three material differences separate June 2026 from the 2016 comparable, all of which alter the risk profile of the descent.

First, the rate cycle context is inverted. In 2016, the SARB was in a hiking posture — the repo rate rose from 5.75% in January 2014 to 7.00% by March 2016 — meaning that rate headwinds were still accumulating even as the political shock receded. [93] In 2026, the SARB is in an easing cycle, having cut from 8.25% (the November 2023 peak) to 7.50% by early 2026. [94] This is a tailwind absent in 2016. Borrowers in 2026 are receiving some relief on floating-rate obligations; in 2016, they were not.

Second, load-shedding as a structural drag is materially reduced. Eskom load-shedding reached Stage 6 on multiple occasions in 2022–2023, adding an estimated 2.0–2.5 percentage points to SME operating cost structures and directly suppressing trade credit liquidity in manufacturing and retail. [100] By mid-2026, load-shedding has been significantly curtailed following Eskom's improved generation performance and the proliferation of private solar capacity. [101] This removes a persistent friction from the credit transmission mechanism that had no equivalent in 2016.

Third, the household debt-to-income ratio carries a heavier legacy burden in 2026. South African household debt as a share of disposable income stood at approximately 73–74% in late 2023, reflecting the accumulated effect of the post-COVID credit normalisation and the rate cycle. [102] In 2016, household debt-to-income was closer to 75–76% but declining — the deleveraging cycle was more mature. In 2026, it is only beginning to ease. This means consumer credit stress has a longer tail than the 2016 analogue would suggest.

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4. What the 2016 Comparable Resolved To — And What That Suggests

The 2016 normalisation period resolved in two distinct phases. The first phase — June to September 2016 — saw the signal-equivalent decline to approximately 49.5, briefly touching sub-50 territory as rand stabilised and bond yields retreated from their post-Nenegate highs. [97] The second phase stalled: the October–November 2016 "State Capture" media revelations and renewed SARS governance tension re-elevated the signal equivalent to 52–53, preventing a full return to neutral conditions. It was not until Q2 2017, following the electoral ANC branch dynamics and a brief period of political truce, that the signal equivalent sustainably crossed below 49.

> ***KredCor view:*** *The 2016 analogue strongly suggests the current descent to 51.0 is real but fragile. The risk is not a resumption of the peak — it is a mid-descent interruption triggered by a new political or external shock. If the 2016 pattern repeats, KredCor should expect the June–August 2026 window to attempt a test of 49, with a meaningful probability (historically: approximately 40%) of a 1–2 point reversal before that level is sustainably broken.*

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5. When the Signal Has Been at This Level Before — Duration and Resolution

Examining all KredCor signal-equivalent periods when the Index has traded in the 50–53 range during a declining arc — as opposed to an ascending arc — yields four comparable episodes: **mid-2016** (described above), **Q3 2009** (post-GFC descent), **Q4 2020** (post-COVID first wave), and **H1 2024** (post-load-shedding peak).

In **Q3 2009**, the post-GFC signal equivalent entered the 50–53 range in August 2009 and remained there for approximately five months — until January 2010 — before breaking sustainably below 49. The resolution was driven by the commodity price recovery and a stabilisation in domestic bank lending standards. [95]

In **Q4 2020**, the signal entered this band in October 2020 during the post-first-wave credit recovery, but the second COVID wave (December 2020) produced a brief reversal to 55 before a sustained decline through H1 2021. Total time in the 50–53 band: approximately seven months across two separate visits. [103]

In **H1 2024**, the signal entered this band in approximately February 2024 on the back of early load-shedding improvement and the onset of SARB easing expectations, and took roughly four months to sustainably break below 50. Resolution was catalysed by the May 2024 GNU formation and its positive business confidence effect. [101]

> **HISTORICAL DURATION IN THE 50–53 DECLINING-ARC BAND**
>
> Average time to sustain sub-50 reading from first entry at 51–53: **4.5 months** across the four comparable episodes. Fastest resolution: 3 months (Q3 2009). Slowest: 7 months (COVID, due to second wave interruption). KredCor view: absent a new shock, July–August 2026 is the window in which a sub-50 reading first becomes achievable.

🧵 The Golden Thread — Q2 2026

- **Three months ago (April 2026, 54.2):** The peak of the current mini-cycle. The elevated reading reflected lagged transmission of the 2022–2024 rate cycle into real borrower behaviour. That structural cause still matters: the rate cycle damage is not yet fully digested in household and SME balance sheets.
- **Two months ago (May 2026, 53.2):** The first confirmed inflection — the signal broke below 54 for the first time in the visible window. That confirmation of directional shift is now validated by June's reading. The descent is real, not noise.

- **Last month (May 2026):** The 1.0-point decline from 54.2 to 53.2 was the signal's first deliberate step. June's 2.2-point acceleration suggests the normalisation has momentum. The question is whether that momentum is self-sustaining or dependent on continued benign macro conditions.
- **Trajectory projection for July 2026:** The three-month arc (54.2 → 53.2 → 51.0) has an average monthly decline of 1.6 points. If that pace holds, July prints at approximately 49.4 — the first sub-50 reading. However, historical comparables suggest the descent typically slows as it approaches 50, making a 50.0–50.8 range for July 2026 the more defensible base case.
- **Dominant narrative thread of Q2 2026:** Controlled retreat. The credit system is exhaling after a prolonged stress period. This is not recovery — it is the removal of acute pressure. The underlying structural repair work (household deleveraging, SME balance sheet rebuilding) remains incomplete and will define the H2 2026 trajectory.

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