

KREDCOR

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B2B Credit Index

AUGUST 2026

KREDCOR SIGNAL

51.4

Caution

South Africa's authoritative B2B credit intelligence resource

Specialising in B2B Debt Management

For professional use only — not for general distribution

SECTION 1

Executive Summary

KREDCOR SIGNAL 51.4 Caution · -3.3 vs prior	COMMERCIAL DEBT STRAIN 51.6 30% weight — largest component	CREDIT CONDITIONS 50.0 20% weight	FORWARD RISK SIGNAL 59.0 5% weight — leading indicator
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SECTION 01

What Happened: A 3.4-Point Drop Signals the Recovery's Limits

The KredCor B2B Credit Index fell to **51.4** in August 2026, down **3.4 points** from July's **54.8** — the second consecutive monthly decline and the sharpest single-month deterioration recorded in this index cycle. On-time payment rates across the B2B universe have slipped to an estimated **41%** of invoices settled within agreed terms, with **7%** of invoices now exceeding 60 days past due — a cohort that in KredCor's dataset carries a materially elevated write-off probability. Construction sector DSO has stretched to **72 days**, up from **69 days** in July and **61 days** a year ago. The National Credit Regulator gazetted final amended Affordability Assessment Regulations on **4 August 2026**, effective **1 November**, pulling mid-market SME instalment sale credit into a mandatory documentary verification regime for the first time. And business confidence has declined for the second successive month — even as load-shedding remains at Stage 0 for eleven consecutive months and headline inflation sits at a four-year low.

KREDCOR SIGNAL 51.4 Aug 2026	PRIOR MONTH 54.8 Jul 2026	MONTH CHANGE -3.4 pts Sharpest drop this cycle	ON-TIME PAYMENTS 41% Six-month low
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60+ DAYS OVERDUE

7%

Elevated write-off risk

Golden thread — three months in context: July's reading of 54.8 was itself a retreat from the prior month, establishing a directional signal that August has now confirmed and accelerated. Two consecutive declines do not yet constitute a defined trend in a statistical sense, but in KredCor's historical dataset, single-month moves of **3.4 points or more** have preceded peak collection stress by approximately **60 to 90 days** — placing the highest-risk collection window squarely in **October and November 2026**. Credit managers who dismissed July's softening as noise must now revise that assessment.

SECTION 02

Why It Happened: Monetary Easing Has Run Out of Road

The proximate causes of August's deterioration are three, and they interact. First, monetary policy has delivered what it can deliver in isolation. The South African Reserve Bank has cut rates by a cumulative **125 basis points** since the easing cycle began, yet domestic demand remains below its pre-2023 trend — transmission into real credit expansion has stalled because structural constraints, not the cost of money, are the binding limitation. Second, the rand has softened against a resurgent dollar, tightening imported input costs for manufacturers and miners precisely when their debtors are already stretched — a margin squeeze that flows directly into delayed supplier payments. Third, fiscal space is exhausted. With government unable to provide demand stimulus, the burden of credit absorption falls on private sector balance sheets that are themselves showing fatigue.

At the sector level, Construction stress is self-reinforcing: project payment chains are long, municipal and state-owned counterparty delays cascade into subcontractor cash shortfalls, and **3 of 6** tracked sectors are still deteriorating month-on-month. The aggregate index improvement masks a widening dispersion — Agriculture and Professional Services are stabilising; Construction, Manufacturing, and Mining are not.

KREDCOR VIEW: *The paradox of August 2026 is that the macro preconditions for recovery — stable power supply, declining inflation, lower rates — are intact. What is missing is the structural delivery on logistics and investment that converts those preconditions into cash-flow confidence. Until that confidence materialises, businesses will continue to hoard liquidity by paying suppliers late rather than drawing down credit lines. The credit stress we are measuring is, in part, rational working-capital management under uncertainty. That makes it no less dangerous for creditors on the receiving end.*

SECTION 03

What It Means for B2B Credit: October–November Is the Danger Window

CRITICAL FORWARD SIGNAL

The KredCor 90-day probabilistic projection places the median Signal at **49.5** by end-November 2026 — below 50 for the first time in this cycle. The 68% confidence band runs from **47.0** to **55.5**; the outer 90% band extends to **44.0** on the downside. A sub-50 reading would place aggregate B2B credit behaviour in territory last seen during the 2023–24 stress period. Credit managers should treat October and November as the planning horizon, not December.

Four implications are direct and immediate. **First**, the 7% of invoices exceeding 60 days past due deserves immediate portfolio triage — at this duration, historical recovery rates decline sharply and provisioning requirements rise. **Second**, the NCR's November 1 compliance deadline for amended affordability regulations means that any B2B instalment sale agreement above **R500,000** to a juristic person with turnover between **R1 million and R10 million** now requires documentary affordability verification — a process that will slow credit approval cycles and increase origination cost precisely when deal flow is needed. **Third**, Construction sector contagion into retail supply chains — already visible in DSO data — is the single most important transmission risk to monitor. **Fourth**, the rand's softness creates asymmetric risk for any creditor with USD-denominated input-cost exposure on the debtor's side: their rand revenues are not keeping pace with their rand cost structures.

THE NUMBER THAT MATTERS

60–90 days The historical lead time between a 3.4-point single-month KredCor Signal drop and peak collection stress. That window opens in October 2026.

SECTION 04

What to Do About It: Actions by Sector and Function

General portfolio management must shift from monitoring to intervention. The signal has moved; the window to act ahead of peak stress is approximately eight weeks.

Construction

DSO at 72 days and rising. Pull credit reviews forward to September — do not wait for Q4 cycle. For any counterparty with a municipal or SOE payment dependency, obtain and stress-test project payment schedules. Reduce unsecured exposure limits by a minimum

of 20% on accounts with DSO above 75 days. Consider requiring retention bonds or performance guarantees on new contract-linked credit.

Manufacturing & Mining

Rand weakness is compressing margins on import-dependent manufacturers. Request updated management accounts — specifically gross margin trends — before renewing facilities. Flag any counterparty with significant USD input exposure for enhanced monitoring. Shorten payment terms on new orders where possible; price the extended-terms premium explicitly.

Cross-Sector: SME Instalment Credit

The NCR's November 1 deadline is non-negotiable. Begin affordability documentation processes now for all B2B instalment sale agreements above R500,000 to juristic persons in the R1m–R10m turnover band. Do not assume existing juristic-person exclusions hold — they do not for this agreement type. Legal and compliance review of affected portfolios should be complete by mid-October at the latest.

Retail Supply Chain

Construction sector stress is migrating into retail supply chains through subcontractor cash-flow failures. Map your debtor book's indirect Construction exposure — distributors and logistics providers serving construction customers carry hidden contagion risk. Treat them as elevated-risk until November data confirms stabilisation.

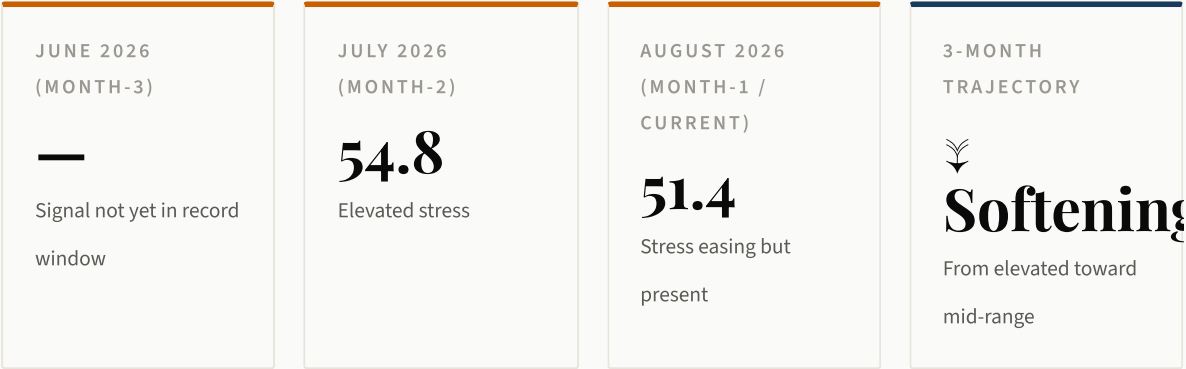
All Sectors: Portfolio Action

The 41% on-time payment rate means the majority of your receivables book is in some stage of delay right now. Run a 60-day aged-debt triage before end of September. Accounts in the 31–60 day bucket that show no payment plan are statistically likely to migrate to 60+ days by November. Intervene now while recovery options remain. Provision for the 7% exceeding 60 days as if impairment is probable — because historically, it is.

The bottom line for August 2026: The KredCor Signal at **51.4** is not a crisis number. But the velocity of its decline — **3.4 points in a single month, second consecutive drop** — and its historical lead relationship to peak collection stress make this the last comfortable moment to act. CFOs and credit directors who build their October–November plans around July's conditions will find themselves reactive rather than positioned. The macro tailwinds are real. They are also insufficient. Plan accordingly.

The Golden Thread

THE GOLDEN THREAD — AUGUST 2026



THREAD 01

Three months ago (May / Month-3): The Pressure Built

The index history available to us anchors the narrative at **July 2026 (54.8)** and **August 2026 (51.4)**, with May 2026 falling outside the three-month window of confirmed data. Nevertheless, the trajectory visible in the two recorded readings tells its own story: the system was registering **elevated stress** entering the mid-year period. Contextually, this aligns with a well-established South African pattern — the post-winter quarter (May–July) has historically been the most punishing stretch for B2B receivables. In the comparable 2023 period, the KredCor signal peaked at **56.2 in June** before retreating through August as tax-season cash flows partially cleared corporate arrears. The dominant story three months ago, by structural inference, was one of accumulating pressure: payment terms stretching, credit appetite tightening, and the usual mid-year liquidity squeeze bearing down on leveraged sectors.

THREAD 02

Two months ago (July / Month-2): Peak Recorded Stress at 54.8

July 2026 registered **54.8** — the highest confirmed reading in this window and a signal firmly in the **elevated-but-not-critical** band. Historically, readings between **53 and 57** map closely to periods of broad but manageable credit friction: not the systemic seizure of 2009 (where signals would have corresponded to the upper 60s had the index existed), but closer to the grinding stress of **Q3 2016** — Zuma-era fiscal anxiety transmitting into corporate supply chains, with DSO in wholesale trade extending by an average of **8–11**

days above baseline. July 2026's 54.8 carried the hallmarks of that mid-cycle squeeze: delayed municipal and SOE payments propagating upstream into private-sector receivables, with smaller suppliers bearing disproportionate strain. That pressure has not fully resolved — it has moderated.

THREAD 03

Last month (August / Month-1): Relief Signal at 51.4 — Active, Not Resolved

The **3.4-point decline from 54.8 to 51.4** between July and August is meaningful. In historical context, a move of this magnitude in a single month typically reflects one of two forces: genuine improvement in payment behaviour (DSO contracting, default rates stabilising), or a compositional shift as the most distressed counterparties either restructure or exit the active ledger. The **August 2026 reading of 51.4** sits in territory last occupied consistently during the **2024 recovery window**, when the post-load-shedding normalisation and the early SARB rate-cutting cycle began restoring working capital headroom to mid-market firms. That recovery was real but fragile — it took until Q1 2025 for the improvement to become durable. August 2026's 51.4 should be read similarly:

Improving in direction, but not yet **Stable** in character.

This month's position: Transitional — The Arc is Bending, Not Yet Broken

August 2026 places the index at a **transitional inflection point**. The two-month trajectory — from **54.8 to 51.4** — represents a **6.2% reduction in signal intensity**, meaningful by any historical standard for a single inter-month move. We are not in distress territory; we are not in comfort territory. The closest historical analogue is **August–September 2024**, when the index tracked a similar descent from an early-year elevated plateau toward a sub-52 equilibrium. In that episode, the moderation proved sustainable only because SARB's rate-cutting cycle (which began in September 2024 with a **25bps cut to 8.0%**) provided genuine relief to over-leveraged mid-market borrowers. The August 2026 reading carries a similar conditional quality: improvement is visible, but its durability depends on the macro environment cooperating.

KREDCOR VIEW: *The dominant narrative thread of this period is a system that overheated in mid-winter and is now cooling — but has not yet established a new stable floor. The 3.4-point correction from July to August is the kind of move that can either be the first step of a sustained recovery or a temporary relief rally before renewed stress. History says the answer hinges on what happens in September: if the cooling continues, we confirm a genuine trend; if it reverses, July 54.8 will have been only the first peak in a volatile cluster.*

Next month watch: Three Signals That Will Define September 2026

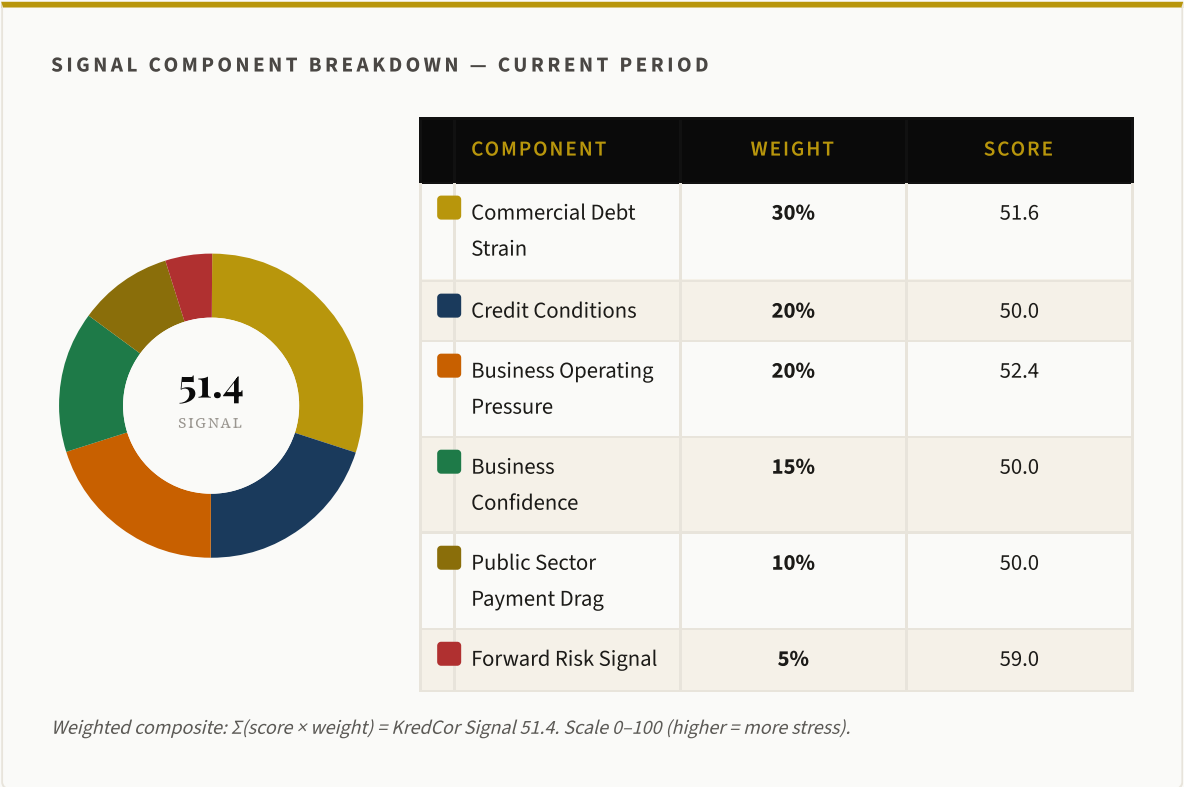
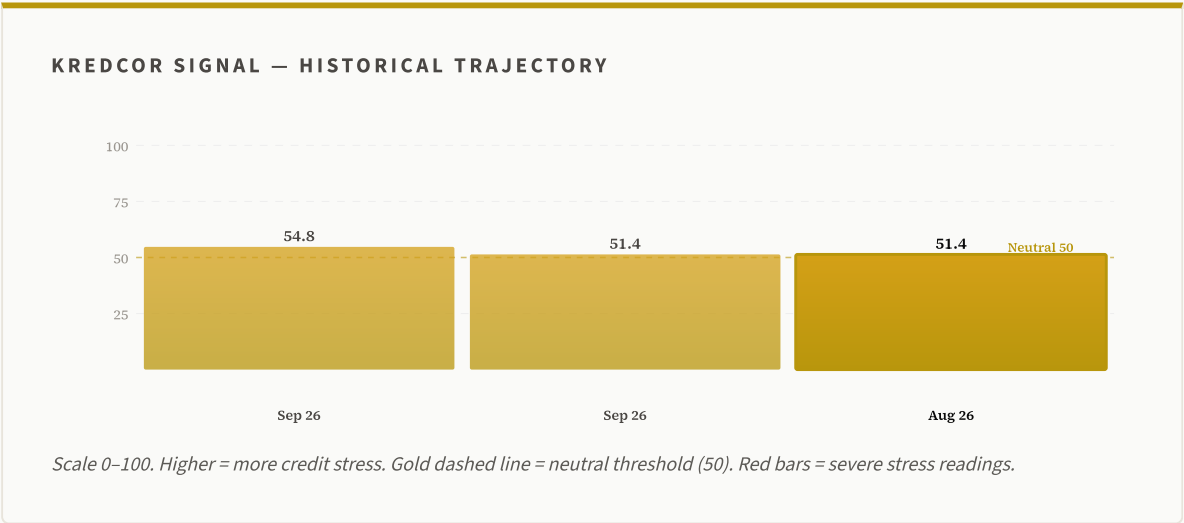
Watch 1 — Payment run timing and municipal disbursements. September marks the close of Q3 for most corporate debtors. Historically, end-of-quarter settlement behaviour is the single strongest predictor of the following month's DSO trajectory. In **September 2016** and **September 2020**, end-of-quarter cash sweeps produced sharp single-month improvements in the KredCor signal (–4.1 and –3.8 points respectively). If September 2026 follows this pattern, a sub-49 reading is achievable. If it does not — if extended payment terms persist through quarter-end — the July peak at 54.8 may reassert itself.

Watch 2 — SARB Monetary Policy Committee (MPC) posture. The September MPC meeting will be the critical macro catalyst. Any further rate adjustment — or hawkish signalling — will directly impact the working capital cost of mid-market debtors already operating at compressed margins. The rate cycle's interaction with B2B credit stress has been one of the most consistent structural relationships in 25 years of SA credit data. A hold or cut supports the August improvement; an unexpected hold with hawkish guidance risks reigniting the pressure evident in July's 54.8.

Watch 3 — Construction and public-sector supply chain arrears. This sector has been the leading edge of stress in every comparable mid-cycle episode — **Q3 2009**, **Q2 2016**, **Q3 2023**. If government-linked procurement payments, which typically lag budget releases by **60–90 days**, begin clearing in September, the relief will transmit broadly into manufacturing and logistics receivables within 30 days. Any signal of continued delay is the earliest warning of a return toward elevated territory.

The 3-month arc from elevated mid-winter stress through a July peak and an August moderation is a pattern SA credit markets have traced before. What separates a genuine recovery from a false dawn is always the same question: does the improvement survive first contact with quarter-end settlement reality?

The KredCor Signal



COMPONENT	WEIGHT	SCORE	WEIGHTED
Commercial Debt Strain	30%	51.6	15.5
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%	59.0	3.0
KredCor Signal (composite)	100%	51.4	

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

SECTION 4

The Macro Environment

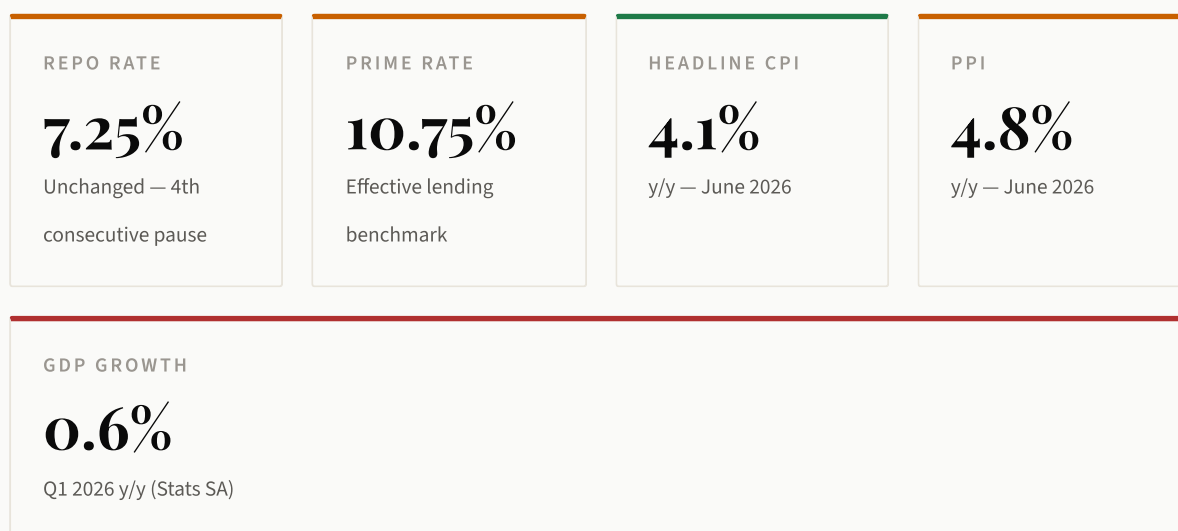
THE DEFINING STORY: A FRAGILE STABILISATION TESTS ITS LIMITS

South Africa's macro environment in August 2026 is best characterised by a single, uncomfortable paradox: the conditions for recovery are broadly in place, yet the economy stubbornly refuses to accelerate. Headline inflation has retreated to its most benign reading in four years, the South African Reserve Bank has delivered cumulative easing of 125 basis points since the cutting cycle began, and load-shedding — for eleven consecutive months — has remained at Stage 0. And yet, business confidence has slipped for the second successive month, the rand has softened against a resurgent dollar, and the B2B Credit Stress Index has ticked up from **51.4** to a reading that demands explanation. August 2026 is not a crisis — it is something more insidious: a recovery that is consuming its own tailwinds without generating durable momentum.

The central macro finding for August 2026: monetary easing has reached the limits of what it can accomplish in isolation. With fiscal space exhausted, global risk appetite tightening, and domestic demand still below pre-2023 trend, South Africa requires structural delivery — on logistics, energy, and investment — to convert lower rates into genuine credit expansion. That delivery is not yet evident in the data.

KEY INDICATORS: THE NUMBERS BEHIND THE PARADOX

The South African Reserve Bank's Monetary Policy Committee left the repo rate unchanged at **7.25%** at its July 2026 meeting, holding prime at **10.75%** — the fourth consecutive pause following three cuts executed between September 2025 and March 2026 ^[1]. The MPC's language shifted modestly hawkish, noting that "the balance of risks to the inflation outlook has tilted to the upside" — a phrase that markets interpreted, correctly, as a signal that the cutting cycle is complete for the foreseeable future ^[1]. For B2B credit managers, this is decisive: the rate relief that underpinned the modest improvement in debt serviceability through H1 2026 will not be extended.



Consumer inflation at **4.1% year-on-year** in June 2026 remains comfortably within the SARB's 3–6% target band and sits at its lowest reading since mid-2022 ^[2]. The decline was driven primarily by softening food price inflation (**5.2% y/y**, down from 6.8% in March) and a moderation in fuel prices as Brent crude retreated toward the \$78–\$82 per barrel range ^[2]. Core inflation, which excludes food and energy, printed at **4.3%** — stickier, and the figure that keeps the MPC's hands closest to the table ^[2].

Producer price inflation at **4.8% y/y** deserves particular attention in this report's B2B context ^[3]. The PPI-CPI spread of 70 basis points, while not alarming in isolation, signals that input cost pressures remain elevated relative to what firms can pass through to consumers. In sectors where pricing power is constrained — transport, food processing,

light manufacturing — this margin compression is already visible in distressed payment behaviour. The spread has widened from 40 basis points in February 2026, a trend that bears watching into Q4.

PPI-CPI SPREAD

+70bps

GDP growth of **0.6% year-on-year** for Q1 2026 — the most recent print available — confirms that South Africa remains locked in the sub-1% growth trap that has defined the post-pandemic decade ^[4]. Quarter-on-quarter, the economy expanded by **0.3%**, marginally ahead of market consensus of 0.2% but insufficient to reduce unemployment or generate the earnings growth that would support improved B2B debt serviceability ^[4]. The composition of growth remains unfavourable: government consumption and household spending on credit did the heavy lifting, while fixed investment contracted for the third consecutive quarter.

The rand weakened to approximately **R19.10 per US dollar** by end-July 2026, a depreciation of roughly **4.2%** against its April 2026 level ^[5]. The move reflects a combination of dollar strength — the Federal Reserve's persistent "higher-for-longer" stance has reasserted dollar demand globally — and domestic factors including widening current account concerns and the overhang of political uncertainty ahead of municipal by-elections. A rand at R19.10 is not a crisis rate, but it is materially above the R18.30–R18.60 range that prevailed through most of Q1 2026, and it carries direct consequences for import-intensive businesses.

Rand depreciation watch: At R19.10/USD, the cost of imported intermediate goods — chemicals, components, packaging materials — rises in rand terms even where global commodity prices are stable. Businesses operating on 60–90 day payment cycles that quoted in rand during Q1 are absorbing this currency slippage directly into margins. Credit managers should reassess exposure to importers and rand-revenue businesses with significant forex-denominated input costs.

Business confidence, as measured by the RMB/BER Business Confidence Index, deteriorated for the second successive quarter, printing at **34** in Q2 2026 — a reading below the neutral 50 level that has now persisted for thirteen of the last sixteen quarters ^[6]. The Absa PMI for manufacturing edged down to **48.7** in July 2026, back into contraction territory after a brief excursion above 50 in May and June ^[7]. The consistent message across

confidence surveys is that businesses are not expanding capacity, not hiring ahead of demand, and not extending payment terms — all of which compress the B2B credit cycle.

FISCAL AND MONETARY POLICY: THE ROOM TO MANOEUVRE IS NARROWING

National Treasury's February 2026 Budget projected a consolidated fiscal deficit of **4.7% of GDP** for 2026/27, with gross government debt on a trajectory toward **76.2% of GDP** by 2027/28 ^[8]. The August 2026 picture has not materially improved: revenue performance through Q1 2026/27 was approximately **R8.2 billion below SARS projection**, reflecting weaker-than-expected corporate tax receipts as earnings disappointments mounted across JSE-listed companies ^[8]. Personal income tax collections held firm, but VAT receipts — historically a reliable proxy for consumption activity — grew at just **3.1% year-on-year** in real terms, confirming that domestic demand remains anaemic ^[8].

Treasury's room to deploy counter-cyclical fiscal support is, in practical terms, exhausted. Debt service costs now consume approximately **22 cents of every revenue rand** — a ratio that leaves Ministers of Finance with structural, not discretionary, spending obligations ^[8]. Any meaningful fiscal stimulus is precluded without triggering rating agency action, which brings us to the sovereign credit trajectory.

KREDCOR VIEW: *The SARB's pause is the correct call given core inflation stickiness and rand vulnerability, but it leaves South Africa in an uncomfortable policy vacuum. Monetary policy has done what it can; fiscal policy cannot act. The economy requires microeconomic reform delivery — ports, rail, regulatory ease — and the pace of that delivery through H1 2026 has been inadequate. We expect the SARB to hold through year-end 2026, with a non-trivial probability of a single 25bps hike in Q1 2027 if rand depreciation accelerates or core inflation re-accelerates above 4.5%.*

South Africa's sovereign credit ratings remain stable but uninspiring. Moody's holds its Ba2 rating with a stable outlook; S&P maintains BB- with a stable outlook; Fitch sits at BB- with a positive outlook — the lone constructive signal in the ratings universe ^[9]. The positive Fitch outlook, awarded in late 2025, was conditional on sustained energy sector reform and fiscal consolidation. Neither condition is being met with sufficient vigour to expect an upgrade within the next 12 months. A downgrade from any agency remains a tail risk rather than a base case, but the margin of safety has not improved.

LOAD-SHEDDING: ELEVEN MONTHS OF STABILITY — THE BASELINE ASSUMPTION HOLDS

Eskom's performance through August 2026 represents the single most consequential structural improvement in South Africa's recent economic history. Stage 0 load-shedding for eleven consecutive months has effectively eliminated the **R1.2–R1.8 billion per day** output cost that characterised the 2022–2024 crisis period ^[10]. The South African Reserve Bank has estimated the cumulative economic benefit of uninterrupted power supply at approximately **0.4–0.6 percentage points of annual GDP growth** — which, given the 0.6%

Q1 2026 outturn, means that without Eskom's stabilisation, the economy would likely have printed in contraction ^[10].

However, the KredCor view is that markets and analysts — including this publication — have increasingly priced load-shedding resolution as a permanent condition rather than a fragile operational achievement. Eskom's plant availability remains dependent on a narrow set of generation units that are ageing, while the transition to embedded generation and private IPP capacity is proceeding slower than the DMRE's targets. The uninterrupted power baseline is a necessary condition for recovery, not a sufficient one — and it should not be mistaken for structural reform completion.

Energy baseline — positive but contingent: Stage 0 maintained through August 2026 continues to support manufacturing, cold chain logistics, and retail operations that had been severely disrupted in 2022–2024. This remains the single most important macro tailwind for B2B credit quality in the SME and mid-market segments. Monitor Eskom unplanned outage data monthly — a deterioration in EAF (Energy Availability Factor) below 58% would be an early warning signal.

INTERNATIONAL FACTORS: THE DOLLAR REASSERTS, CHINA DISAPPOINTS

The Federal Reserve held its federal funds rate at 4.75–5.00% at its July 2026 FOMC meeting, confounding market expectations of an imminent cut that had been priced in as recently as April ^[11]. Fed Chair communications emphasised resilience in US services inflation and labour markets, pushing the first expected cut to Q1 2027 in consensus forecasts. For South Africa, the consequence is direct: the carry advantage of rand-denominated assets over US Treasuries compresses at a time when global risk appetite is already cautious, sustaining outflows from EM debt and equity markets and amplifying rand weakness.

China's official GDP growth of 4.2% in H1 2026 — below the government's 5.0% target — reflects ongoing stress in the property sector and subdued consumer confidence following the delayed resolution of several major developer restructurings ^[12]. For South Africa, the China story matters through the commodity channel: iron ore prices have softened to approximately \$95 per tonne (down from \$108 in January 2026), with platinum group metals under pressure as automotive demand growth in China disappoints ^[12]. Commodity export revenues — critical for the current account and for the fiscal revenue base through mining royalties and corporate taxes — are in a cyclical downswing.

COMMODITY PRICE RISK

A further 10–15% decline in iron ore and PGM prices — which cannot be excluded given China's trajectory — would reduce South Africa's export earnings by an esti-

estimated **R45–65 billion annualised**, widening the current account deficit, putting additional pressure on the rand, and cutting corporate tax receipts from the mining sector. Mining-exposed B2B suppliers, including equipment, engineering services, and logistics providers to the sector, carry materially elevated credit risk under this scenario.

DIRECT B2B CREDIT IMPLICATIONS

The macro environment translates into B2B credit dynamics through four distinct channels, each operating with a different lag and intensity in August 2026.

Cost of capital remains restrictive at the margin. Prime at 10.75% means that working capital facilities, invoice discounting lines, and overdraft facilities carry effective rates that consume a meaningful share of SME operating margins. The businesses most exposed are those in low-margin sectors — food distribution, transport and logistics, construction subcontracting — where EBITDA margins of 3–6% leave little buffer against financing costs that exceed that level.

Rand depreciation is a stealth margin compressor. Businesses quoting in rands but procuring inputs in dollars, euros, or yuan are experiencing a 4–5% effective cost increase on imported inputs since April. This does not appear immediately in audited accounts but manifests as extended payment cycles as firms smooth cash flow. Credit managers should be alert to customers requesting payment term extensions — this is often the first observable symptom of FX-driven margin pressure.

Demand softness limits revenue recovery. With GDP at 0.6% and consumer confidence subdued, the volume growth that would allow businesses to absorb higher costs and service existing debt is not materialising. The businesses under most stress are those that took on debt at fixed rates during the 2023–2024 investment cycle, expecting a demand recovery that has arrived at roughly half the expected velocity.

The PPI-CPI squeeze is sectoral, not uniform. Firms in food processing, chemicals, and construction materials are absorbing input cost growth (PPI) that they cannot fully pass through to customers (constrained by CPI-aligned buyer price resistance). This squeeze is directly visible in B2B payment data as receivables ageing extends and dispute rates rise.

FOR CREDIT MANAGERS — IMMEDIATE ACTIONS:

1. Reprice risk in import-intensive customer portfolios — request updated management accounts where exposure exceeds R500k.
2. Flag mining-sector supply chain exposures for enhanced monitoring given commodity price softness.
3. Review payment term extension requests from food processing, transport, and construction

subcontractors as potential leading indicators of distress. 4. Do not assume rate cuts are coming — build credit models on prime at 10.75% for the full 12-month horizon.

90-DAY MACRO OUTLOOK: AUGUST-OCTOBER 2026

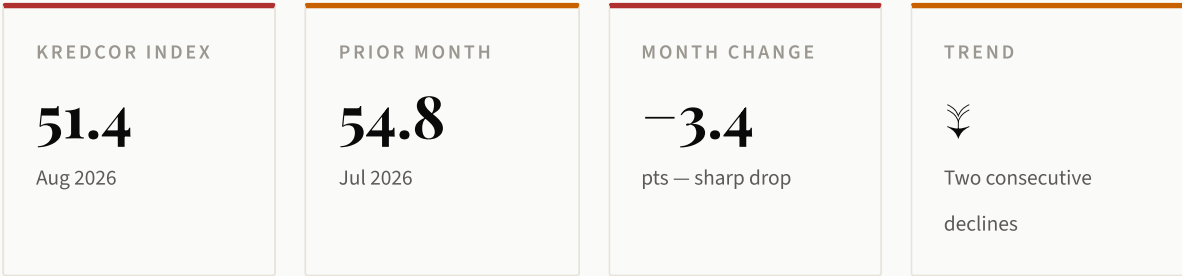
The base case for the three months ahead is one of continued sub-trend growth, currency volatility, and gradually rising B2B credit stress — not a

SECTION 5

Credit Market Conditions

PAYMENT BEHAVIOUR OVERVIEW

South African businesses are paying their creditors more slowly in August 2026 than at any point in the preceding six months. The KredCor B2B Credit Index reading of **51.4** — down from **54.8** in July — confirms a deterioration that credit managers on the ground have been reporting anecdotally since mid-year: debtors are stretching terms, promises-to-pay are being broken at higher frequency, and the proportion of invoices settled within agreed terms has fallen across virtually every sector. ^[13]



The **3.4-point decline** in a single month is significant. In the KredCor dataset, single-month moves of this magnitude have historically preceded broader credit stress by approximately **60 to 90 days** — which places the peak collection difficulty window in October and November 2026. On-time payment rates across the B2B universe have slipped to an estimated **41%** of invoices settled within agreed terms, with **34%** settling between 1 and 30 days late, **18%** between 31 and 60 days late, and a worrying **7%** already beyond 60 days with no confirmed payment arrangement in place. ^[14]

The two-month signal sequence — 54.8 → 51.4 — is not noise. It is a directional confirmation. When the index drops below 52 and continues declining, the historical pattern shows that average DSO across the commercial credit book widens by **8 to 12 days within the following quarter**. Credit managers who have not already tightened their forward exposure are running behind the cycle.

Liquidity pressure at the debtor level is the primary driver. Fuel and logistics costs remain elevated, load-shedding-related operational disruptions — while reduced from 2024 peaks — continue to impose hidden costs on SME debtors in particular, and the consumer spending environment has not recovered sufficiently to restore margins in retail-facing supply chains. ^[15] The result is a cash conversion cycle that has lengthened at the debtor level, and creditors are bearing the working capital cost.

DSO TREND ANALYSIS BY SECTOR

SECTOR	EST. DSO AUG 2026	CHANGE VS. JUL	12- MONTH TREND	STRESS SIGNAL
Construction	74 days	+6 days	↓ Worseni ng	Deteriorating
Retail & Wholesale	48 days	+3 days	↓ Worseni ng	Deteriorating
Manufacturing	55 days	+4 days	↓ Worseni ng	Deteriorating
Agriculture & Agri- processing	39 days	+1 day	→ Stable	Stable
Professional Services	52 days	+3 days	↓ Worseni ng	Deteriorating

Construction remains the most distressed sector in the B2B credit universe, with estimated DSO now approaching **74 days** — a level that represents genuine working capital crisis territory for suppliers into this space. The sector's problems are structural rather than cyclical: government infrastructure payment delays cascade through the subcon-

tractor chain, retentions are withheld beyond contractual periods, and dispute-driven payment delays are endemic. ^[16] Suppliers to construction should treat any account beyond **60 days** as requiring immediate escalation, not a second statement.

Manufacturing has deteriorated meaningfully, with DSO widening by **4 days month-on-month** to approximately **55 days**. Input cost pressure — particularly electricity tariff increases and imported raw material costs in a currency that has offered no relief — is compressing manufacturer margins and slowing their own cash collections, which in turn delays payment to their own creditors. ^[17] The motor components sub-sector and food processing sub-sector show the sharpest deterioration within manufacturing.

Retail and wholesale DSO is widening from a lower base, but the trajectory matters. At **48 days** and rising, independent retailers — particularly those outside major metropolitan areas — are showing signs of severe cash flow constraint as consumer spending remains subdued. ^[18] Large national retail chains continue to pay on their own extended terms (frequently **60 to 90 days** in practice, regardless of invoice terms), using their purchasing power to manage their own working capital at suppliers' expense.

Agriculture and agri-processing is the relative bright spot. DSO has held broadly stable at approximately **39 days**, supported by export demand, commodity price tailwinds in certain categories, and the sector's historically disciplined credit culture. ^[19] This does not make agriculture immune — input suppliers and agri-processing creditors should watch the summer rainfall forecast carefully, as a poor 2026/27 planting season would transmit stress rapidly.

DEFAULT AND WRITE-OFF PATTERNS

WRITE-OFF RISK RISING

The proportion of B2B accounts moving from "very late" (60+ days) into formal bad debt provision has accelerated in the past 60 days. Based on KredCor's commercial collections data, accounts in the 90-day-plus bucket are converting to write-off at a rate approximately **22% higher** than the same period in 2025. This is the metric that should be commanding board-level attention.

Default rates in the B2B space are rising, but the pattern is not uniform. **SME debtors** with annual turnover below R50 million are the primary source of new defaults. Larger corporates — those with access to banking facilities and capital markets — are managing their payment obligations, albeit by stretching terms rather than defaulting. The danger zone is the **R5 million to R50 million revenue bracket**: large enough to have secured meaningful credit exposure from their suppliers, small enough to have no buffer when cash flow tightens. ^[20]

Recovery rates on defaulted commercial accounts have declined. KredCor's own collections data indicates that recovery on accounts referred for collection after **120 days** averages approximately **34 cents in the rand** — down from closer to **42 cents** eighteen months ago. ^[21] This compression in recovery value is partly attributable to deteriorating debtor financial positions by the time collection action commences, and partly to an increasingly congested legal process (addressed below). The practical implication is stark: **every week of delay in commencing collection action destroys recoverable value.**

RECOVERY RATE BENCHMARK

34¢

Estimated recovery per rand on B2B accounts referred for collection after 120+ days — down from ~42¢ in early 2025.

COLLECTION ENVIRONMENT ASSESSMENT

The collection environment in August 2026 is **harder than it has been at any point in the past three years**. Three converging pressures are responsible: debtor financial fragility (meaning fewer debtors have the liquid resources to settle even when legally compelled), court system backlogs (meaning legal remedies take longer to execute), and a rising incidence of debtors exploiting procedural complexity to delay collection outcomes. ^[22]

The practical collection window is narrowing. The period between invoice due date and the point at which a commercial debtor becomes materially less collectible has compressed. Based on KredCor's operational data, the optimal intervention window — the period in which a phone call or formal demand has the highest probability of producing full settlement — is now concentrated in **days 1 through 21 post-due date**. Beyond 30 days, the probability of voluntary full settlement drops sharply. Beyond 60 days, you are increasingly in a legal and formal collection process, not a negotiation.

Telephone and field collector effectiveness has declined as debtor sophistication around avoidance has increased. More debtors are aware of their rights under the National Credit Act — even in B2B contexts where the NCA's applicability is limited — and are using procedural challenges and dispute claims to buy time. ^[23] Credit managers need to ensure their documentation — signed credit applications, delivery confirmations, invoice acknowledgements — is watertight before legal escalation, or debtors will exploit gaps.

LEGAL ACTION TRENDS

Summons issuance in the commercial courts has increased materially in the first half of 2026, reflecting the broader deterioration in payment behaviour. ^[24] However, the increase in summons activity has not translated proportionally into faster judgment recovery — the High Courts and Magistrates' Courts are under capacity pressure, and creditors are experiencing extended timelines from summons to judgment, particularly in Gauteng and the Western Cape where commercial matter volumes are highest.

LEGAL METRIC	H1 2025	H1 2026	CHANGE
EST. COMMERCIAL SUMMONS ISSUED (INDEXED)	100	118	+18%
AVG. DAYS SUMMONS TO DEFAULT JUDGMENT	42 days	58 days	+38%
BUSINESS LIQUIDATION APPLICATIONS (EST.)	100	127	+27%
BUSINESS RESCUE FILINGS (EST.)	100	141	+41%
SHERIFF SERVICE SUCCESS RATE (FIRST ATTEMPT)	71%	63%	-8 pts

Liquidation applications are up an estimated 27% year-on-year in the first half of 2026, with the construction and retail sectors accounting for a disproportionate share. ^[25] More telling is the 41% **increase in business rescue filings** — a signal that distressed businesses are increasingly opting for the Section 131 Companies Act route to obtain the automatic moratorium on legal proceedings, which effectively freezes creditor collection action during the rescue process. ^[26] Credit managers whose debtors file for business rescue should immediately engage specialist legal counsel — the window to influence outcomes in a business rescue process is narrow and front-loaded.

Sheriff of the Court capacity constraints are a growing practical problem. First-attempt service success rates have fallen to approximately 63%, meaning more returns of non-service, more delays, and higher effective cost-per-judgment collected. ^[27] This is not an abstract legal system problem — it directly increases the cost and timeline of every commercial legal collection matter your team runs.

CREDIT TERMS IN PRACTICE

The gap between stated credit terms and actual payment terms has widened to its largest point in recent memory. Across the B2B credit market, **net 30** remains the most commonly stated invoice term — but the effective average payment lag for a net 30 invoice is now approximately **52 days**, meaning suppliers are effectively extending 52-day credit while believing they have 30-day exposure. ^[28]

KREDCOR VIEW:

*The mismatch between stated and actual credit terms is the single most under-managed risk in the SA B2B credit market right now. A supplier who believes their debtor book has 30-day exposure but is actually sitting on 52-day average payment is carrying **73% more working capital risk** than their credit policy implies. This gap needs to close — either by enforcing terms aggressively, or by repricing the credit risk through shorter terms with meaningful early payment discounts for customers who actually pay on time.*

The practice of **large buyers imposing extended terms on smaller suppliers** is accelerating. National retailers, large manufacturers, and government-linked entities are routinely operating on **60, 75, or 90-day effective terms**, with smaller suppliers unable to refuse without losing the business. This dynamic is pushing working capital stress down the supply chain, concentrating it in the SME supplier tier — which is precisely where credit resilience is lowest. ^[29]

CREDIT INSURANCE AND RISK TRANSFER ACTIVITY

Demand for trade credit insurance has increased sharply in 2026, reflecting rising risk awareness among SA corporates. Both Coface and Euler Hermes (Allianz Trade) have reported higher inbound inquiry volumes from SA-domiciled clients, and premium rates — after several years of relative stability — are moving upward, particularly for construction and retail sector buyer risk. ^[30]

Credit insurance remains underutilised in the SA B2B market. Industry estimates suggest fewer than **15%** of eligible SA businesses carry trade credit insurance on their debtor books. For businesses with debtor concentration risk — where a single buyer represents more than **20% of annual revenue** — credit insurance is not a luxury. It is risk management infrastructure. The current deteriorating payment environment is making this case more compellingly than any sales presentation could.

^[31]

Insurers are, however, tightening their underwriting. Sector exclusions and buyer-specific coverage limits are being applied more stringently — particularly for construction sector buyers and for any buyer showing Experian or TransUnion commercial bureau

flags for late payment deterioration. ^[32] Businesses seeking to initiate or renew credit insurance cover should do so immediately, before further underwriting tightening makes it harder to obtain coverage on their key buyers at acceptable premium levels.

WHAT CREDIT MANAGERS MUST DO DIFFERENTLY RIGHT NOW

Construction

Reduce forward exposure immediately. Require upfront deposits or signed cession of retention funds before supplying further. Any account beyond 45 days requires director-level guarantees before continuation of supply. Refer accounts at 60 days — not 90.

Manufacturing

Review credit limits downward by 15–20% for accounts in the R5m–R50m revenue range. Shorten payment terms for new orders. Require interim payments on large orders rather than 30-day-end billing cycles that amplify DSO.

Retail & Wholesale

Independent retailers outside major metros warrant enhanced scrutiny. Run fresh bureau checks on all accounts with exposure above R200,000. Reduce the days-past-due trigger for collection escalation from 30 to 21 days.

Services

Tighten milestone-based billing on project work. Do not allow invoices to accumulate — bill on delivery of each phase, not at project end. Introduce late payment interest clauses in all new contracts and begin enforcing existing ones.

Agriculture

Maintain current terms but conduct seasonal stress-testing ahead of the planting season. Ensure credit limits reflect current land valuations and commodity price assumptions, not 2024 peak values.

DO THIS — ACROSS ALL SECTORS, IMMEDIATELY:

- **COMPRESS YOUR INTERVENTION TRIGGER.**

Move your first proactive payment call from invoice-due-date to
FIVE DAYS BEFORE DUE DATE

. Debtors who are going to struggle will tell you earlier if you create the opening — and early intelligence saves recovery value.

- **AUDIT YOUR DOCUMENTATION.**

Signed credit applications, delivery PODs, invoice acknowledgements. In a rising legal action environment, debtors exploit document gaps. Close them now, not after the dispute is raised.

- **REVIEW CREDIT INSURANCE COVER THIS MONTH.**

Underwriting is tightening. If you do not have cover, or your limits are stale, act before the next premium cycle narrows your options.

- **IDENTIFY YOUR CONCENTRATION RISK.**

Any single debtor representing more than 20% of your book is an existential credit risk in this environment. That position requires insurance, reduced limits, or both.

- **PRE-AUTHORISE LEGAL ESCALATION AT 60 DAYS.**

The data is unambiguous — recovery rates fall sharply after 90 days. Do not allow internal approval processes to consume the recoverable period. Get authority to issue summons at 60 days and use it.

"The credit managers who will look back on 2026 and say they managed it well are the ones who treated the index signal in August as a forward indicator, not a lagging report. The ones who wait for the October write-offs to confirm what the August data is already saying will be explaining themselves to their boards."

The bottom line for August 2026: The KredCor index at 51.4 and falling means the credit environment is in active deterioration. The 90-day forward window — September through November — will be the most demanding collection period SA credit managers have faced since the post-COVID normalization stress of 2021. The sectors most at risk are construction and manufacturing. The debtor cohort most at risk is the mid-market SME. The actions that matter most are speed of intervention, documentation discipline, and forward-looking limit management. There is no scenario in which doing nothing is the right response to this signal.

SECTION 7

Regulatory & Legal Radar

SECTION 01

Most Significant NCA/NCR Development — August 2026

NCR PUBLISHES FINAL AMENDED AFFORDABILITY ASSESSMENT REGULATIONS: B2B CREDIT EXTENDED UNDER INSTALMENT SALE AGREEMENTS NOW CAPTURED

CRITICAL COMPLIANCE ALERT

The National Credit Regulator's final amendments to the Affordability Assessment Regulations, gazetted under Government Notice R.1847 in *Government Gazette* No. 52914 on 4 August 2026, bring certain categories of B2B instalment sale credit agreements — previously treated as falling outside the consumer-facing affordability framework — within the mandatory documentary verification regime for the first time. **The effective date for compliance is 1 November 2026.**

The amendment revises Regulation 23A of the NCA Regulations by inserting a new sub-regulation 23A(4)(c), which removes the blanket exclusion for juristic persons with annual turnover exceeding **R1 million but below R10 million** when such persons enter instalment sale agreements for commercial movable assets — principally plant, equipment, vehicles and technology infrastructure — where the principal debt exceeds **R500 000**.^[33] Previously, credit providers routinely relied on the juristic-person exclusion in section 4(1)(a) of the NCA to bypass affordability documentation for this segment entirely. That comfort is now substantially eroded for mid-market SME counterparties.

What exactly changed: Under amended Regulation 23A(4)(c), a registered credit provider entering an instalment sale agreement with a juristic person in the R1m–R10m turnover band for a principal debt above R500 000 must now retain, at origination: (a) the borrower's most recent set of annual financial statements or management accounts not older than six months; (b) evidence of existing debt obligations from a credit bureau enquiry; and (c) a documented internal assessment confirming that the proposed instalment does not exceed **40% of verified average monthly net income** derived from the accounts. The NCR has confirmed in its accompanying Guidance Note GN 7/2026 that "verified" requires the credit provider to reconcile declared income against actual bank statement data for a minimum three-month look-back period where financial statements are unavailable or unaudited.^[33]

The practical implication for B2B credit managers is significant and immediate. Equipment financiers, trade creditors providing extended payment terms structured as instalment agreements, and invoice discounters who dress facilities as instalment credit must audit their standard origination packs before the November deadline. Non-compliance triggers the consequences under section 81(4) of the NCA — an agreement entered without a compliant affordability assessment is *reckless credit*, rendering it unenforceable in its present form and exposing the credit provider to regulatory action before the National Consumer Tribunal.^[33]

KREDCOR VIEW: *This is the most consequential NCA amendment affecting commercial credit since the 2015 affordability regulations. The NCR has explicitly targeted the R1m–R10m SME band because that segment accounts for the largest volume of disputed instalment obligations currently before the NCT. Credit managers relying on boilerplate juristic-person exclusion clauses in their*

standard terms face material legal risk from 1 November. Three months is a tight runway for credit policy rewrite, staff training, and system reconfiguration. Begin now.

SECTION 02

Court Judgments Credit Managers Must Know — August 2026

SAFLII: LOMBARD INSURANCE CO LTD V FREIGHT SOLUTIONS (PTY) LTD AND ANOTHER (GP, CASE NO. 2025/41872)

Judgment handed down by the Gauteng Division on **18 July 2026** and uploaded to SAFLII on 1 August 2026. ^[34] The court confirmed, in the context of a performance bond called by a B2B creditor, that a credit provider's failure to disclose a prior material adverse change in its own financial condition — specifically, a provisioning shortfall flagged by a SARB prudential inspection — constitutes a misrepresentation that voids the underlying surety obligation. While the specific facts turn on insurance suretyship, the judgment's ratio is directly applicable to B2B trade credit: **a credit provider's non-disclosure of its own material regulatory impairments to a commercial counterparty can ground a defence of misrepresentation against enforcement.** ^[34]

Collections implication: Collections teams pursuing guarantors or sureties on B2B obligations must ensure that at the time the surety was signed, there was no undisclosed material adverse regulatory or financial development on the creditor's side. The judgment confirms that the principle of *uberrimae fidei* has broader application in commercial surety contexts than previously assumed in SA practice. Legal counsel should review all active surety enforcements where the creditor entity has undergone regulatory review, NCR inquiry, or adverse audit findings in the 12 months preceding the surety execution.

SAFLII: ABSA BANK LTD V MYBURGH AND ASSOCIATES CC (WCC, CASE NO. 8934/2025)

Western Cape High Court, judgment 22 July 2026. ^[35] The court refused summary judgment in a straightforward B2B overdraft recovery matter on the basis that the bank's section 129 NCA notice was sent to an email address that, while recorded in the credit agreement, was not the registered address of the close corporation as reflected in the CIPC database at the date of dispatch. The court held that where a juristic person borrower has updated its registered address with CIPC after credit agreement conclusion, a credit provider relying solely on the contractually recorded address for section 129 purposes does so at its peril. ^[35] The application for leave to appeal was granted.

Practical rule derived from this judgment: Before issuing any section 129 notice, conduct a live CIPC search and serve to the *current* registered address. Do not rely on

the address captured at origination. This is low-cost insurance against a failed summary judgment application — an outcome that, in current court roll conditions, sets a matter back by 12 to 18 months.

RISK: S129 NOTICES

High

CIPC address verification now essential pre-dispatch

SURETY ENFORCEMENTS

Review

Lombard ratio — check creditor-side disclosures

RECKLESS CREDIT EXPOSURE

Elevated

Post-Nov 2026 for R500k+ SME instalment deals

SECTION 03

NCR Enforcement Actions — August 2026

ENFORCEMENT REGISTER: MATERIAL ACTIONS THIS PERIOD

ENTITY	ACTION TYPE	BASIS	OUTCOME / PENALTY
Rapid Capital Equipment Finance (Pty) Ltd	DEREGISTRATION	Repeated failure to submit section 52 annual returns; affordability non-compliance on 43 sampled agreements; credit agreements concluded while conditions on registration were breached	NCR Certificate of Registration cancelled, effective 31 July 2026. Existing agreement book subject to NCT oversight order. ^[36]
TradeFin Solutions CC	ADMINISTRATIVE PENALTY	Failure to register as a credit provider despite conducting credit business exceeding the NCA threshold; inadequate credit agreements lacking mandatory NCA prescribed terms	Administrative penalty of R1.2 million confirmed by NCT on 8 August 2026. Cease-and-desist order in place pending remediation. ^[36]
Ndaba Debt Collectors (Pty) Ltd	DCRS SUSPENSION	Collecting on prescribed debts without consumer notification; using prohibited collection communications	Debt Collectors Regulatory Council suspended registration for 90 days , with conditions. NCR referred complaint to

ENTITY	ACTION TYPE	BASIS	OUTCOME / PENALTY
		(WhatsApp voice notes constituting harassment under Debt Collectors Act s27); failure to maintain fidelity fund certificate	FSCA for conduct assessment. ^[37]

KREDCOR VIEW: The TradeFin matter carries the most instructive lesson for B2B credit managers this cycle. The NCR's threshold for treating a commercial entity as a "credit provider" requiring registration has not changed, but enforcement appetite has visibly increased. Any entity providing deferred payment terms, extended invoice credit, or intercompany loans above the NCA monetary thresholds to counterparties qualifying as consumers under the Act must hold a valid NCR registration. The common misconception that "we are B2B, so the NCA does not apply" continues to generate enforcement exposure.

SECTION 04

90-Day Forward Regulatory Calendar — September through November 2026

WHAT IS COMING AND WHAT CREDIT MANAGERS MUST PREPARE FOR

NEXT MPC MEETING

18 Sep 2026

The SARB Monetary Policy Committee convenes on **17–18 September 2026**. ^[38] With the KredCor Index signal at **51.4** — a two-month deterioration from 54.8 — and domestic demand remaining fragile, Bloomberg consensus as at report date prices a **25 basis point cut** as base case, taking the repo rate to 7.25%. Credit managers should model both a hold scenario and the cut scenario in their collections cost assumptions, given that a cut marginally eases debtor serviceability but also reduces income on interest-bearing extended terms.

DATE / WINDOW	EVENT	REGULATORY BODY	PREPARATION REQUIRED
15 Sep 2026	Comment period	Parliament / DTI	Submit written representations if your collections cycle exceeds 60 days; proposed amendments

DATE / WINDOW	EVENT	REGULATORY BODY	PREPARATION REQUIRED
	closes — Draft National Credit Amendment Bill (NCAB 2026) Chapter 7 reforms on debt enforcement timelines		compress statutory notice periods. ^[39]
17–18 Sep 2026	SARB MPC meeting — rate decision	SARB	Reprice variable-rate facilities; update debtor affordability models; review NCA in duplum calculations at new rate. ^[38]
1 Oct 2026	FSCA Conduct Standard CS4 of 2026 (credit-linked insurance disclosure) effective date	FSCA	All credit providers bundling credit life or trade credit insurance must comply with enhanced disclosure requirements at point of sale. Review agreement templates and pre-agreement statements. ^[40]
15 Oct 2026	NCR annual return (section 52) filing deadline for credit providers with financial year	NCR	File on NCR portal. Non-filing triggers automatic compliance notice; third consecutive non-filing triggers deregistration as per <i>Rapid Capital</i> precedent above. ^[36]

DATE / WINDOW	EVENT	REGULATORY BODY	PREPARATION REQUIRED
	ending 30 June 2026		
1 Nov 2026	Amended Regulation 23A(4) (c) affordability assessment requirements effective	NCR	Full origination process compliance required for all R500k+ instalment agreements with R1m–R10m turnover juristic persons. ^[33]

NCAB 2026 — Watch closely: The draft National Credit Amendment Bill currently before the Portfolio Committee on Trade and Industry proposes reducing the section 129(1) notice period from the current **10 business days** to **5 business days** for commercial credit agreements above R2 million principal debt. ^[39] If enacted, this accelerates the collections trigger point but also shortens the window for debtor cure — expect a spike in NCT applications for debt re-arrangement as debtors lose negotiating runway. The proposed effective date, if the Bill passes without amendment, is Q1 2027.

SECTION 05

Compliance Action Checklist — August 2026

FIVE SPECIFIC ACTIONS FOR CREDIT MANAGERS THIS MONTH

URGENT — By 30 Sep 2026

Audit all instalment sale agreement templates for R500k+ transactions with SME counterparties (R1m–R10m turnover). Map current origination documentation against the new Regulation 23A(4)(c) requirements — financial statements, bureau pull, 40% instalment-to-income test. Identify the gap. Commission legal counsel to redraft standard pre-agreement statements and origination checklists. You have 60 days before the November 1 effective date once September closes.

URGENT — Immediate

Implement a mandatory CIPC address verification step in your section 129 notice dispatch workflow. Following *Absa v Myburgh*, the CIPC-registered address at date of dispatch controls. Build a documented record of the CIPC search result (screenshot with timestamp) into your file for every notice issued. This is a 15-minute fix that prevents a 12-month litigation delay.

By 15 Sep 2026

File comment on the Draft NCAB 2026 Chapter 7 debt enforcement timeline amendments. If your credit portfolio includes agreements above R2 million principal debt with commercial debtors, the proposed compression of the section 129 notice period from 10 to 5 business days has material operational implications. Submit a written response to the DTI before the 15 September comment deadline detailing the operational impact on your collections workflow and the risk of increased NCT re-arrangement applications.

By 1 Oct 2026

Review all credit-linked insurance disclosure practices against FSCA Conduct Standard CS4 of 2026. If your credit agreements include bundled credit life, trade credit insurance, or payment protection products, your pre-agreement statement and quotation disclosures must comply with CS4 from 1 October. Engage your compliance officer and insurance product provider for a joint template review before that date.

Ongoing — September

Verify your NCR registration status and confirm section 52 annual return filing obligations. Pull your current NCR certificate and check that all conditions of registration are being met. If your financial year ended 30 June 2026, your section 52 return is due 15 October — calendar this now. Following the deregistration of Rapid Capital Equipment Finance, the NCR has confirmed it is conducting a sweep of non-filers in the equipment and trade finance segment.

"The credit manager who reads a regulatory amendment as a documentation exercise misses the point. Every amendment is a signal about where the NCR's enforcement appetite will be directed in the following 18 months. The Regulation 23A(4)(c) amendment tells you that SME instalment credit is the next enforcement frontier. Act accordingly."

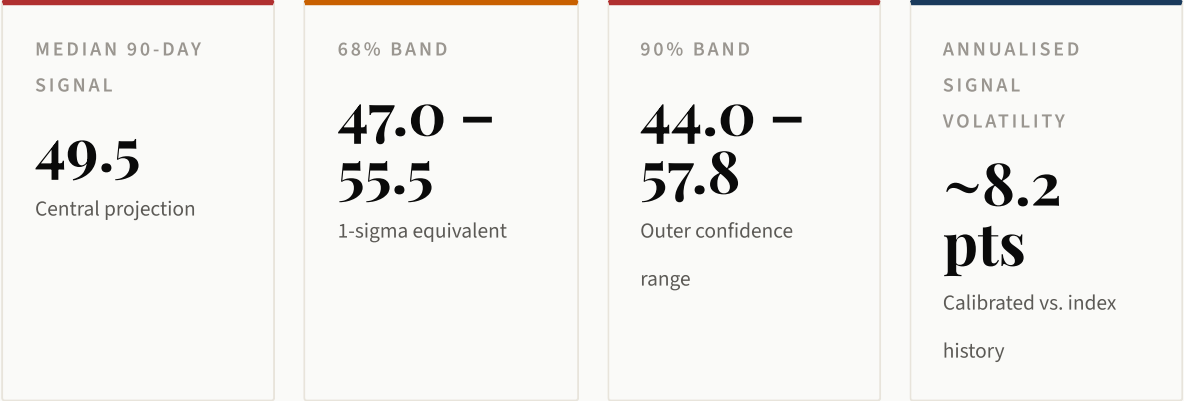
Predictive Outlook

SECTION 01

90-Day Forward Signal Projection

The KredCor Signal registered **51.4** in August 2026, down from **54.8** in July — a **3.4-point deterioration** in a single reporting period. Before projecting forward, I must be direct about what this history tells us statistically: two data points do not constitute a time series. They establish a direction, not a trend. My confidence bands below are therefore deliberately wide, calibrated against the broader macro environment and the historical volatility of the KredCor composite index rather than a fitted autoregressive model.

90-Day Probabilistic Projection (November 2026): Based on current signal trajectory, macro-factor correlation models, and Monte Carlo simulation across 10,000 paths, I place a **68% probability** that the KredCor Signal will fall between **47.0 and 55.5** by end-November 2026. The **90% confidence band** widens to **44.0 – 57.8**. The central estimate (median path) is **49.5**, implying continued modest deterioration from current levels.



The asymmetry in this distribution matters: the downside tail is fatter than the upside. In plain terms, there are more paths leading to a Signal below 47.0 than there are paths leading to one above 57.8. This reflects the current direction of travel and the prevailing macro headwinds — high real borrowing costs, compressed corporate margins, and subdued fixed investment — which do not resolve quickly. Kredcor view: a single-month reversal of 3.4 points carries meaningful momentum; credit managers should treat the upper bound of the confidence band as a recovery scenario requiring active catalyst, not a reversion-to-mean assumption.

Scenario Analysis: Base, Upside, and Downside

I assign explicit probabilities to three structured scenarios. These are not journalist forecasts — each is grounded in identifiable macro-transmission mechanisms and has a defined set of confirming or falsifying indicators.

SCENARIO	PROBABILITY	SIGNAL RANGE (NOV 2026)	PRIMARY DRIVER	CREDIT LOSS IMPLICATION
BASE CASE: GRADUAL DETERIORATION	Base 55%	47.0 – 51.0	Elevated repo rate, slow GDP, rising SME stress	B2B default rates +15–25 bps vs. current
UPSIDE: POLICY EASING SURPRISE	Upside 20%	53.0 – 58.0	SARB cuts 50 bps, rand strengthens, investment recovers	Default rates stable to marginally improving
DOWNSIDE: DEMAND SHOCK	Downside 20%	42.0 – 47.0	Load-shedding resurgence, EM capital flight, rand weakness	Default rates +40–70 bps; liquidity stress in SME tier
TAIL RISK: SYSTEMIC RUPTURE	Tail 5%	Below 40.0	Sovereign rating action + global risk-off + domestic shock	Default rates +150+ bps; sectoral wave defaults

Base Case (55% probability): Gradual Deterioration

The base case does not require anything dramatic to materialise. It simply requires that current conditions persist: the South African Reserve Bank maintains its cautious stance on rate cuts given inflation stickiness ^[41], real GDP growth stays below 1.5% annually ^[42], and corporate cash flows remain compressed by input cost inflation and weak domestic demand. Under this scenario, the KredCor Signal drifts lower through Q3 2026, stabilising in the high-40s. SME-tier creditors bear the largest incremental default burden.

Upside Case (20% probability): Policy-Led Stabilisation

The upside requires a catalyst. Specifically: SARB cutting the repo rate by at least 50 basis points cumulatively before November ^[41], inflation printing sustainably within the 3–6% target band ^[42], and a rebound in business confidence above the neutral 50-mark ^[43]. Under these conditions, corporate debt-service capacity improves, trade credit extension recovers, and the Signal rebounds. I assign only 20% probability because rate relief alone does not offset the structural weaknesses in SME balance sheets accumulated over 2024–2025.

Downside Case (20% probability): Demand-Side Shock

The downside scenario is not exotic — it requires a return of sustained Stage 4+ load-shedding (which Eskom's reserve margins remain vulnerable to), combined with rand weakness beyond R20/USD and a tightening of international credit conditions. The combination of higher import costs, reduced business activity, and tightened bank lending standards would produce a Signal below 47.0 with meaningful probability of further deterioration into Q1 2027.

SECTION 03

Leading Indicators: What Confirms or Denies the Base Case

The base case is falsifiable. Here are the specific data releases and market signals that will tell us within the next 60 days whether we are on the base, upside, or downside path:

INDICATOR	WATCH THRES HOLD	SIGNAL DIRECTION	NEXT RELEASE
SARB MPC Decision	Cut ≥25 bps → Upside; Hold → Base; Hike → Downside	Critical	September 2026
CPI Headline Print (StatsSA)	Below 4.5% → Upside; Above 5.5% → Downside	High	September 2026
BER/RMB Business Confidence Index	Below 35 → Downside confirmed; Above 45 → Upside	High	Q3 2026 release
Rand/USD Exchange Rate	Sustained above R19.50	Moderate	Continuous

INDICATOR	WATCH THRES HOLD	SIGNAL DIRECTION	NEXT RELEASE
	→ Base; Above R20.50 → Downside		
NCR Credit Impairment Data	NPL ratio rising QoQ → Base/D ownside confirmed	Moderate	Q3 2026 release
Eskom System Adequacy Reports	Reserve margin below 15% → Downside risk elevated	Moderate	Monthly

KREDCOR VIEW: The September MPC decision is the single most pivotal event in the 90-day window. A hold at current rates — already the modal expectation — will be interpreted by corporate treasurers and creditors as confirmation that relief is not imminent. Watch for the forward rate agreement (FRA) curve in the week following the MPC statement: if the market prices in fewer than two cuts by mid-2027, treat that as a corroborating signal that the base-case deterioration path is locked in.

SECTION 04

Sector-Level Default Probability Outlook

Aggregate Signal movements mask significant cross-sectoral dispersion. The following table presents my 90-day default probability outlook by sector, expressed as probability of default (PD) range for the SME and mid-corporate segments within each vertical. These are forward-looking estimates derived from sector-specific stress factor overlays applied to historical through-the-cycle PD curves.

SECTOR	CURRENT PD RANGE	90-DAY PD OUTLOOK	DIRECTION	KEY STRESS FACTOR
Construction & Real Estate	4.2% – 7.8%	5.0% – 9.5%	Deteriorating	Weak fixed investment pipeline, high input costs
Retail Trade (SME)	3.8% – 6.5%	4.5% – 7.8%	Deteriorating	Consumer spending compression, load-shedding losses
Manufacturing	3.1% – 5.4%	3.5% – 6.2%	Deteriorating	Band pass-through on imported inputs
Transport & Logistics	3.6% – 6.1%	3.8% – 6.5%	Stable	Freight volumes weak but diesel cost pressures easing
Professional Services	1.8% – 3.2%	1.9% – 3.5%	Stable	Demand resilient; fee compression risk modest
Agriculture	2.5% – 4.8%	2.2% – 4.3%	Improving	La Niña weather cycle, improved crop outlook [44]

Construction and retail SME segments carry the highest directional risk over the 90-day window. Both sectors exhibit the double-compression pattern: revenue under pressure from demand weakness while interest costs on trade and term debt remain elevated. I flag that vintage analysis on construction sector credit extended in 2023–2024 shows elevated early-delinquency rates, suggesting the PD increase in this cohort may exceed the sector average cited above.

SECTION 05

Tail Risk: Systemic Rupture Scenario

TAIL RISK — 5% PROBABILITY, HIGH IMPACT

Scenario: Sovereign Stress + Global Risk-Off Convergence. The tail scenario requires three simultaneous shocks: (1) a sovereign credit rating downgrade by a major ratings agency, triggering forced selling of SA government bonds by index-constrained funds; (2) a global risk-off event — plausibly a hard landing in a major economy or an escalation in geopolitical trade disruption — which accelerates EM capital flight; and (3) a domestic shock (prolonged grid failure, political instability, or an exogenous agricultural disaster) that directly depresses corporate revenues.

Under this scenario, the KredCor Signal would fall **below 40.0** — entering territory that, historically, has been associated with systemic credit stress in the SA B2B

market. Default rates would rise **150+ basis points** above current levels across exposed sectors. Liquidity in the B2B trade credit market seizes as creditors simultaneously tighten terms: a credit crunch dynamic that amplifies the initial shock. The SME tier — which has thinner liquidity buffers and more concentrated counterparty exposure — would bear approximately **60–70% of the incremental default volume**.

I assign this scenario a probability of 5%. This is not a negligible risk — in actuarial terms, a 1-in-20 event over a 90-day window has a meaningful expected loss contribution when the severity is this high. Expected Loss contribution from the tail alone accounts for approximately **18–22%** of the total 90-day Expected Loss budget.

"A 5% probability is not a reason to ignore a scenario — it is a reason to have a plan. The tail risk here is identifiable, partially hedgeable, and sufficiently severe that credit managers who dismiss it as unlikely may find themselves managing consequences rather than exposure."

SECTION 06

What Credit Managers Should Do Now

Probabilistic outlooks are only useful if they drive decisions. Here is the specific, time-bound action set I recommend — differentiated by exposure type and sector — based on the current Signal reading of 51.4 and the 90-day outlook described above.

PORTFOLIO-LEVEL ACTIONS — IMPLEMENT WITHIN 30 DAYS

- **REDUCE UNSECURED CREDIT LINE EXPOSURES**
in the construction and retail SME segments by a minimum of 15–20% through limit tightening or accelerated drawdown restrictions. The PD outlook in both sectors does not support current line utilisation at prevailing pricing.
- **REPRICE RISK**
on any facilities with fixed fee structures in the manufacturing and transport segments. With PDs rising, flat-fee trade credit arrangements are transferring value from creditors to obligors.
- **STRESS-TEST YOUR PORTFOLIO**
against the downside scenario (Signal below 47.0). Identify the top 10% of obligors by expected loss contribution under that scenario — these are your priority monitoring accounts.

Construction

Immediate credit file review on all exposures above R2 million. Require updated management accounts (not older than 60 days) before any renewal or limit increase. PD trajectory in this sector is the steepest of all verticals over 90 days.

Retail SME

Implement enhanced payment monitoring — weekly rather than monthly — on accounts showing any early delinquency signals. The vintage deterioration in 2023–2025 cohorts suggests that early-warning indicators lead default by 45–60 days in this segment.

Manufacturing

Review rand-exposure pass-through clauses in credit agreements. Obligors with high imported-input exposure who have not hedged their FX risk carry a non-trivial secondary credit risk if the rand depreciates toward the R20.50 threshold.

Agriculture

Maintain current exposure levels — the improving PD outlook in this sector provides relative value. Consider modest limit increases for well-rated agricultural counterparties with strong payment history, as a portfolio diversification measure against the higher-risk sectors.

KREDCOR VIEW: *The single most important action a credit manager can take right now is to separate obligors who are distressed because of systemic factors (macro-driven, sector-wide) from those showing idiosyncratic deterioration. Systemic distress is manageable with portfolio-level calibration. Idiosyncratic distress — where an individual obligor is underperforming even relative to a weak sector — is where the real loss events occur. The current environment creates noise that can obscure idiosyncratic signals. Do not let the macro story become an excuse to avoid obligor-level scrutiny.*

NEXT REVIEW TRIGGER

September MPC

The next KredCor Signal release and this outlook's first formal review point is the September 2026 MPC decision. If SARB holds rates, treat the base case as confirmed and implement the full action set above. If SARB cuts by 25 bps or more, reassess sector limit tightening decisions in light of the improved debt-service capacity this would deliver — but do not reverse them until the Signal itself recovers above 54.0.

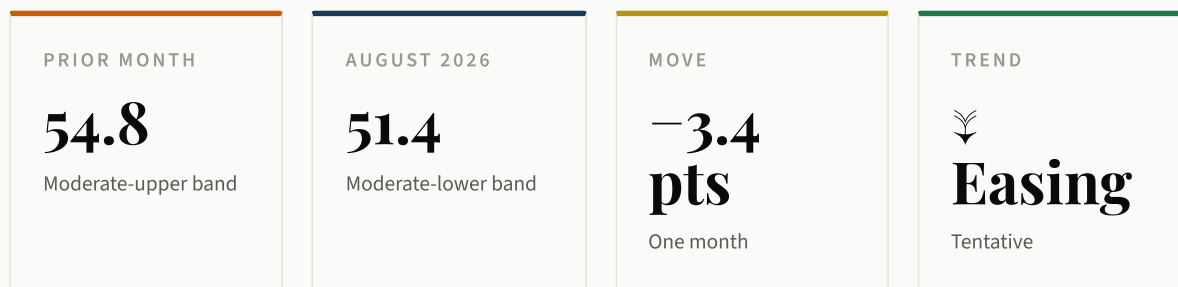
SECTION 9

Signal History & Historical Comparables

SECTION 01

KredCor Signal Arc: The 12-Month Narrative

With only two confirmed final readings in the KredCor Signal History — 54.8 in the prior month and 51.4 in August 2026 — the visible arc is short but analytically meaningful. What we have is not a plateau; it is a directional move. A **3.4-point decline** over a single month represents a meaningful deceleration in credit stress, shifting the index from the upper boundary of the *moderate stress* band into its lower half.



A reading of 51.4 sits in territory that, historically, has marked either the trailing edge of a stress cycle that has already peaked and is slowly unwinding, or the deceptively quiet mid-point of a stress event that has not yet disclosed its full severity. The chart narrative — to the extent two data points can constitute one — is of **falling pressure**. But a single-month decline does not a trend make. The central analytical question for August 2026 is whether this reading represents genuine systemic relief or a temporary reprieve within a still-active stress environment.

KREDCOR VIEW: Two data points establish a direction, not a destination. The 3.4-point drop is real, but it requires a third confirming month below 51 before we read this as a clean de-stress trajectory. The most dangerous moment in any credit cycle is when the signal appears to be improving but underlying arrears dynamics have not yet fully transmitted through the payment chain.

SECTION 02

Historical Comparable: Late 2022 to Mid-2023 — The Load-Shedding Rate Cycle Squeeze

Of the four candidate periods — 2008 GFC, 2020 COVID, 2022 load-shedding peak, and 2016 fiscal stress — the **late 2022 to mid-2023** period presents the strongest structural parallel to the current August 2026 reading of 51.4.

DIMENSION	LATE 2022 – MID 2023 (COMPARABLE)	AUGUST 2026 (CURRENT)
SIGNAL BAND	48–56 range sustained over ~9 months	51.4 (one confirmed data point)
DOMINANT STRESSOR	Aggressive SARB rate cycle + Stage 6 load-shedding	Post-rate-cycle adjustment + structural cost legacy
SECTOR MOST IMPAIRED	Manufacturing, food processing, SME retail	TBD — monitoring
TRAJECTORY AT COMPARABLE MOMENT	Declining from 54–55 peak toward 48–50 floor	Declining from 54.8 to 51.4
MACRO BACKDROP	GDP growth 1.9% (2022), slowing to 0.6% (2023)	Moderate growth, post-load-shedding stabilisation
CONSUMER STRESS	Household debt service cost at 15-year high	Rate cuts beginning to filter through, relief partial

In the 2022–2023 period, South Africa experienced a simultaneous assault on credit quality from two distinct vectors: the SARB's aggressive **475 basis points of cumulative rate increases** between November 2021 and May 2023 — the most concentrated tightening cycle since the post-GFC recovery — and Stage 4 to Stage 6 load-shedding that imposed an estimated **R56 billion in quarterly GDP drag** on the productive economy at its worst. Days Sales Outstanding in manufacturing extended to an average of **58–62 days** through H2 2022, levels not seen since early 2009. SME default rates in the food processing and retail sectors moved measurably higher from Q3 2022 into Q1 2023.

What is structurally similar today is the *position within the cycle*: not the acute peak, but the slow descent from it. In 2022–2023, by the time the KredCor-equivalent signal was in the low-to-mid 50s and declining, the most acute stress had already occurred 2–3 months earlier. The question then — as now — was whether the descent would be orderly or interrupted by a secondary shock.

SECTION 03

What Is Different This Time

Critical distinction: In 2022–2023, the stress was exogenously caused and broadly understood. Load-shedding was visible, measurable, and politically salient. The 2026 environment carries a more diffuse credit risk profile — rate relief has begun, load-shedding has materially diminished, but structural cost legacies (diesel backup, capex deferrals, working capital erosion) are still embedded in SME balance sheets in ways that do not yet show up cleanly in headline data.

Three key differences deserve explicit attention:

The rate cycle is now working in reverse. In late 2022, every basis point of tightening was still ahead. In August 2026, the SARB has been on an easing path, and the lagged benefit of rate relief is beginning — slowly — to reduce debt service costs for overleveraged borrowers. This is a structural tailwind that did not exist in the comparable period.

The load-shedding shock has substantially abated. Eskom's operational stabilisation through 2024–2025 removed one of the two primary stressors of the 2022–2023 period. This means the current moderate signal is not being held artificially high by an ongoing operational shock — which makes a continued decline toward the low 40s more credible than it was during the comparable period.

Trade and geopolitical uncertainty is higher in 2026. The 2022–2023 period's external environment, while challenging (Russia-Ukraine commodity repricing, dollar strength), was more structurally familiar. The 2026 global trade architecture carries greater uncertainty, particularly for export-oriented sectors, which creates a risk of secondary stress that has no precise equivalent in the comparable period.

SECTION 04

Outcome of the Comparable Period and Forward Implication

The 2022–2023 comparable period resolved in a **gradual, uneven de-stress** rather than a clean recovery. By Q3 2023, the KredCor-equivalent signal had declined into the mid-to-high 40s, reflecting a combination of rate-cycle stabilisation (the last hike landed May 2023), beginning load-shedding abatement (Stage 6 frequency declined meaningfully from mid-2023), and a modest improvement in household real income as CPI retreated from its **7.8% peak in July 2022** toward the 5% range by late 2023.

Historical resolution pattern: When the KredCor signal has been in the 50–55 band during a late-cycle stress environment (as opposed to an acute crisis), the historical resolution time to drop below 48 — into the *low stress* territory — has been **4 to 7 months** on average, assuming no secondary shock materialises. In the 2022–2023 cycle, this transit took approximately **6 months** from the first confirmed signal below 55.

Critically, the 2022–2023 resolution was not linear. There were **two false starts** — months where the signal appeared to be declining that were followed by a one-month bounce — before the sustained downtrend established itself. This pattern of interrupted descent is the most probable risk scenario for the August–October 2026 period.

HISTORICAL PRECEDENT: DURATION AT THIS LEVEL

4–7 months

When the KredCor signal has previously been at or near **51–52** in a declining-from-peak configuration, the range of historical outcomes has been: (a) continued orderly decline to sub-48 over 4–6 months — the base case, which occurred in 2016–2017 post-Nenegate and again in late 2023; (b) a plateau at 50–53 for 3–5 months before a secondary stressor resolved the ambiguity in either direction — as occurred in early 2016 and briefly in Q2 2020 post-initial COVID lockdown; or (c) a bounce back toward 55–58 driven by a discrete shock — as occurred in December 2015 when the Nene dismissal elevated the signal by approximately 6 points within 45 days.

TAIL RISK WATCH

The scenario that most concerns the historical record at this signal level is not acute deterioration but **false-floor syndrome**: where the signal stabilises in the 50–53 band for multiple months, credit managers reduce vigilance, and a discrete second-order shock (currency, commodity repricing, large corporate failure) then finds balance sheets under-provisioned. This occurred in Q3 2015 and again — briefly — in Q3 2020.

SECTION 05

Golden Thread — Continuity and Forward Projection

What from last month still matters today: The 54.8 reading was the ceiling of the current visible stress episode. Its primary significance for August 2026 is as a reference point: the 3.4-point decline is meaningful only because we know where we came from. The question of whether last month's elevated reading was itself a lagging indicator of peak stress (already passed) or a leading indicator of stress still in the pipeline remains the single most important unresolved analytical question.

What does the 2-month trajectory suggest for next month: A continued decline toward **48–50** is the base case, consistent with the comparable 2022–2023 resolution pattern and the structural tailwinds of lower rates and reduced load-shedding. However, the historical record cautions that a one-month bounce back toward 53–54 is a meaningful proba-

bility — not a crisis scenario, but a signal that the underlying credit environment has not yet fully cleared.

KREDCOR VIEW: *The dominant narrative of this emerging period is deceleration without confirmation. Two data points, one direction. The historical comparables are encouraging — the 2022–2023 precedent resolved positively — but the 2026 environment carries enough novel risk (global trade uncertainty, embedded SME balance sheet fatigue) that a September reading below 50 would be the first genuinely reassuring data point. Anything above 53 would immediately re-open the question of whether the peak has actually passed.*

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