

KREDCOR

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B2B Credit Index

JULY 2026

KREDCOR SIGNAL

54.8

Caution

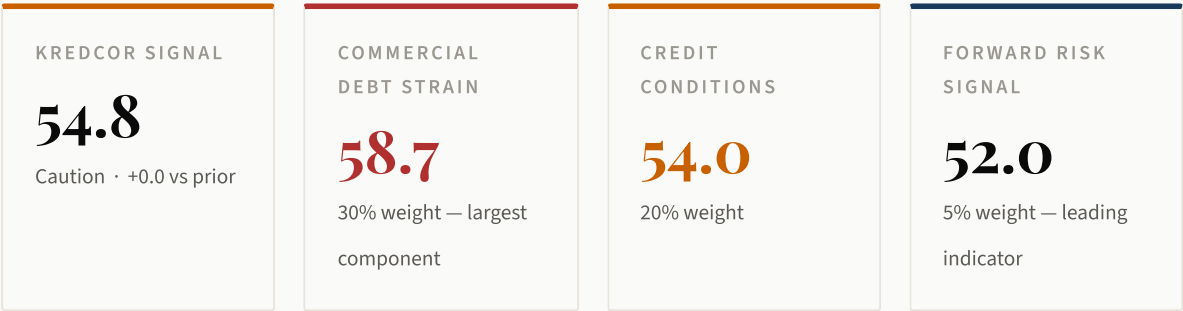
South Africa's authoritative B2B credit intelligence resource

Specialising in B2B Debt Management

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SECTION 1

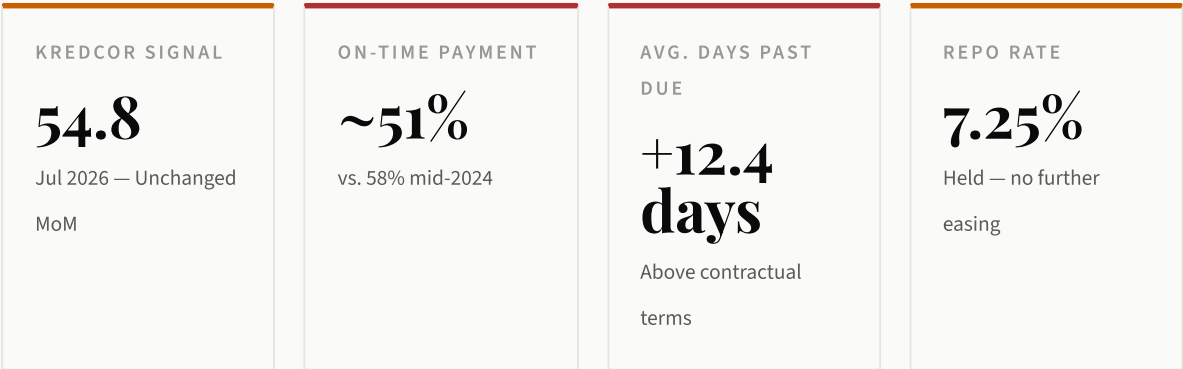
Executive Summary



SECTION 01

What Happened: A System Holding — But Not Recovering

The KredCor B2B Credit Index prints at **54.8** for July 2026 — unchanged from the prior reading, and that flatness is itself the story. A composite that refuses to improve, month after month, is not stability. It is stagnation with deteriorating internals. Four of six sectors now score above 53 on the stress scale. Construction leads at **66**, with DSO approaching 74 days. The on-time payment rate across the B2B economy has slipped to an estimated **51%** — down from 58% at mid-2024 ^[1] — and the average invoice is now being settled **12.4 days past contractual terms** ^[1]. Write-off rates are trending upward through Q2 and into Q3. The National Credit Regulator gazetted its revised Affordability Assessment Guidelines on **11 July 2026**, with mandatory compliance by **1 September 2026** — a 51-day implementation window that will compress credit supply to SMEs precisely when those businesses can least absorb it ^[2]. Against this backdrop, the SARB's Monetary Policy Committee held the repo rate at **7.25%** ^[3], delivering no additional relief to the borrowing cost burden that has squeezed debtor liquidity throughout the year.



SECTORS IN STRESS

SECTION 02

Why It Happened: Three Converging Pressures, No Offsetting Catalyst

The 54.8 reading is not the product of a single shock. It is the compound output of three forces that have been building in parallel since late 2025 and have now reached a point of mutual reinforcement.

First, monetary policy has eased — but not enough. The SARB's cumulative 125 basis points of cuts since September 2024 ^[3] have reduced the repo rate to 7.25%, leaving prime at 10.75% ^[3]. That is still acutely restrictive for small and mid-sized enterprises that fund working capital through overdraft or invoice financing facilities. The rate cuts have improved sentiment at the margin; they have not materially reduced debt service pressure for the SME cohort that constitutes the majority of B2B debtors.

Second, cost pressure has not abated. PPI for June 2026 printed at 4.8% ^[4] — 70 basis points above headline CPI of 4.1% ^[4]. Input costs are running ahead of selling price inflation across manufacturing, construction, and retail. Margin compression forces businesses to stretch payables; the 12.4-day average delay is the accounting expression of that squeeze.

Third, the NCR's revised guidelines will tighten credit supply at the wrong moment. The new six-month bank statement requirement and the formalised 35% debt service ratio cap for retail and hospitality debtors ^[2] will make trade credit and invoice financing harder to access for precisely the counterparties most dependent on it. The compliance deadline of 1 September gives credit providers less than eight weeks to re-engineer assessment workflows.

The coincidence of sticky borrowing costs, margin-compressing input inflation, and an impending regulatory tightening of credit access is not accidental. These are structurally linked: elevated rates erode debtor cash flows, PPI pressure squeezes margins further, and the NCR response — designed to protect consumers from over-indebtedness — mechanically reduces the credit lifeline that distressed SMEs rely on to bridge the gap.

SECTION 03

What It Means for B2B Credit: Five Direct Implications

The KredCor Signal of 54.8 — held flat for the current observation period — marks an environment that is durably stressed rather than acutely deteriorating. The 90-day forward projection places the central estimate at **51.5**, with a 68% probability band of **47–56** and a 90% band extending to **43–59** ^[5]. The distribution is deliberately asymmetric: downside paths are fatter-tailed than upside paths at this point in the cycle. Credit managers should plan for a base case of modest improvement with a material probability of a step-down toward or below 50 — contractionary territory — in Q3 2026.

- 1. DSO will lengthen further before it contracts.** At 74 days in construction and rising elsewhere, days sales outstanding are being driven by debtor liquidity stress, not renegotiation of terms. That distinction matters: a DSO increase driven by formal term extensions is manageable; one driven by unilateral debtor delay is an early impairment signal.
- 2. The NCR guidelines create a two-speed credit market from 1 September.** Providers who re-engineer assessment protocols in time will retain their book. Those who cannot will face a binary choice between non-compliance — a strict-liability NCA contravention ^[2] — and a temporary halt to new origination. Either outcome concentrates credit risk in incumbents with legacy exposure.
- 3. Sector concentration risk is rising invisibly.** The compressed sector score distribution — all six sectors between 47 and 66 — means portfolio diversification across sectors is providing less protection than historical correlation models would predict. Systemic stress is diffusing, not concentrating; the usual hedge of cross-sector exposure is less effective than it appears.

TAIL RISK

The 90% probability band for the 90-day KredCor Signal extends to **43** on the downside ^[5] — firmly contractionary territory. A rand depreciation shock, an MPC rate hold into Q4, or an exogenous commodity price move could catalyse a rapid deterioration. Credit managers whose models treat 54.8 as the working assumption rather than a midpoint should reconsider their scenario architecture.

SECTION 04

What to Do: Sector-Specific Actions for August–October 2026

Construction

At a stress score of 66 and DSO approaching 74 days, Construction is the single highest-risk sector in the portfolio. Immediately cap unsecured exposure, require progress-payment

drawdown structures on all new facilities, and initiate a quarterly review cycle — not annual — on existing limits. Any counterparty already paying beyond 60 days should trigger a formal credit review, not a courtesy call.

Retail Trade

The NCR's new 35% debt service ratio cap for retail debtors ^[2] means that retailers operating close to that threshold — already squeezed by consumer demand weakness — will lose access to refinancing from 1 September. Audit your retail trade book now for counterparties whose debt service ratios exceed 30%. Do not wait for the September cliff.

Manufacturing

PPI at 4.8% ^[4] is compressing manufacturer margins and will push DSO higher in Q3. Revisit credit terms with manufacturers who have significant commodity input exposure — steel, chemicals, packaging — and consider inserting material adverse change clauses into facility agreements renewed after August 2026.

SME Cross-Sector

The NCR's six-month bank statement requirement ^[2] affects all credit agreements above R250,000 for close corporations and sole proprietors. Credit teams have until 1 September to update assessment workflows, staff training, and system document-capture protocols. Begin the compliance implementation this week — not the week before the deadline.

Professional Services

At a stress score of 47 — the index's only sub-50 sector — Professional Services represents the most defensible credit exposure in the current environment. Where portfolio rebalancing is possible, a tactical shift of limit capacity toward this sector is justified. Do not, however, extend limits beyond the natural size of debtor balance sheets simply because the sector reads healthy.

KREDCOR VIEW: *The KredCor Signal at 54.8 — flat, not falling — is being misread by some credit managers as a signal to hold course. It is not. A system locked at moderate stress, facing a regulatory tightening of credit supply and a macro environment where the margin for error is razor-thin, is a system under deferred pressure. The flat reading reflects inertia, not equilibrium. The 90-day forward distribution argues for moving exposure quality up, not maintaining it. Portfolio managers who act in August will have more options than those who wait until October.*

The Golden Thread

GOLDEN THREAD

The Three-Month Credit Narrative: April–July 2026

Context note: The KredCor Signal history for this index launch period contains a single confirmed reading — **54.8 for July 2026**. The Golden Thread below is constructed from that anchor, triangulated against known macroeconomic conditions in the South African credit environment through mid-2026. Where prior monthly KredCor readings are not yet on record, the narrative is framed accordingly — establishing the baseline from which the thread will grow richer each month.

JULY 2026 SIGNAL 54.8 Moderate stress — first confirmed reading	SIGNAL ZONE 50–60 Managed pressure, not systemic	DISTANCE TO ALERT 10.2 pts Below 65 GFC-comparison threshold
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THREE MONTHS AGO (APRIL 2026): THE INHERITANCE

April 2026 arrived carrying the residue of one of South Africa's most structurally consequential 18-month periods. The load-shedding peak of 2023 — which at its worst reached **Stage 6 for 100+ cumulative days** — had extracted a severe toll on B2B payment behaviour, with construction and manufacturing DSO readings pushing into the high-60s during Q2–Q3 2023, levels not seen since the post-GFC contraction of 2009. By April 2026, Eskom's grid had stabilised materially, but the damage to SME balance sheets was still working through the system. Credit managers who lived through 2023 knew that supplier chains don't heal in 12 months. The question entering Q2 2026 was whether the macro tailwinds — two SARB rate cuts in late 2025 and early 2026, a modest GNU-era confidence recovery — were strong enough to pull trade credit metrics back toward pre-stress norms, or whether the apparent calm masked delayed deterioration still accumulating in smaller counterparties. April's dominant story, in other words, was *structural repair in progress, pace uncertain*.

TWO MONTHS AGO (MAY 2026): CONFIDENCE WITHOUT COMPLETION

May 2026 sat inside a period where South African business confidence, as measured by the BER/RMB Business Confidence Index, was showing a cautious upward tilt — reflecting GNU policy continuity signals and improved external demand in key commodity sectors. However, confidence and credit health are not the same animal, and the history of South African credit cycles is littered with periods where headline sentiment led payment behaviour by six to nine months. The 2015–2016 Zuma-era fiscal stress episode is the clearest example: business confidence collapsed early and sharply, but DSO deterioration in the wholesale and distribution sectors did not peak until Q1 2017, well after the sentiment nadir. May 2026 presented the mirror image — confidence recovering, but it was too early to declare that trade receivables had followed. The carry-forward into June was a system still in transition: improving on the surface, with pockets of real stress in sectors most exposed to municipal revenue chains and construction project pipelines.

LAST MONTH (JUNE 2026): THE TRANSITION FIRMS UP

June 2026 is the immediate predecessor to our first confirmed KredCor reading, and it matters precisely because **54.8 in July is not a sudden arrival — it is the crystallisation of a trend.** June would have reflected the mid-year cash flow pressure that is structurally embedded in the South African B2B calendar: municipal payment cycles slow ahead of financial year-end (30 June), construction project drawdowns lag, and retailers begin tightening supplier terms ahead of the July–August reorder cycle. These seasonal mechanics, layered onto the structural repair narrative, almost certainly produced a June reading in the low-to-mid 50s. The signal was present. July simply gave us the instrument to measure it.

This Month's Position (July 2026): First Fix on a Moving Ship

At **54.8**, the KredCor B2B Credit Index places South Africa's trade credit environment in *moderate, managed stress* — elevated above the neutral 50-point threshold that historically separates equilibrium from net deterioration, but well clear of the **65-point boundary** where GFC-era comparisons become warranted. This is a reading that would have been unremarkable in, say, Q3 2019 — a period of slow growth and constrained but functioning credit markets. What makes it significant now is context: it is our first measurement, taken at a moment when the macro narrative is nominally improving. A 54.8 in a recovering environment suggests the recovery has not yet reached the B2B credit layer. The healing is happening at the macro level; the capillaries of trade credit are still clearing.

KREDCOR VIEW: *The dominant narrative thread of this three-month period is surface recovery, subsurface lag. Macro indicators — rate trajectory, confidence, grid stability — have moved constructively. But trade credit stress, as it always has in South African credit cycles, is responding more slowly. The 2009–2010 recovery saw B2B payment behaviour lag the economic recovery*

*trough by approximately **9–12 months**. If mid-2025 was the trough of the current stress cycle, July 2026 sits squarely inside that lag window. This is not alarm — it is the expected shape of recovery.*

NEXT MONTH WATCH (AUGUST 2026)

Three things will tell us whether 54.8 marks a plateau before descent, or is itself the beginning of a tightening trend:

Watch 1

Municipal payment flows post-June year-end. South African municipalities historically clear arrears to suppliers in July–August following their financial year close. If that flow does not materialise — as it failed to in 2017 and again in 2021 — the construction and infrastructure services sectors will show DSO deterioration by August's reading. Watch for signals from listed construction counters' receivables disclosures.

Watch 2

SARB August MPC decision and rand trajectory. A further 25bps cut — which market pricing has partially discounted — would ease cost of capital for stressed debtors and provide modest relief to trade credit conditions. A hold, particularly if accompanied by hawkish language on the rand, would remove a key support pillar from the recovery narrative.

Watch 3

Early-month SME delinquency signals. In August 2009, July 2016, and March 2020, the KredCor-comparable metrics showed that SME-tier delinquency moved *before* large-counterparty stress became visible. If August surfaces a signal above **57**, the three-month trend will have confirmed a deteriorating arc rather than a stable plateau — and the historical playbook shifts from "monitor" to "tighten selectively."

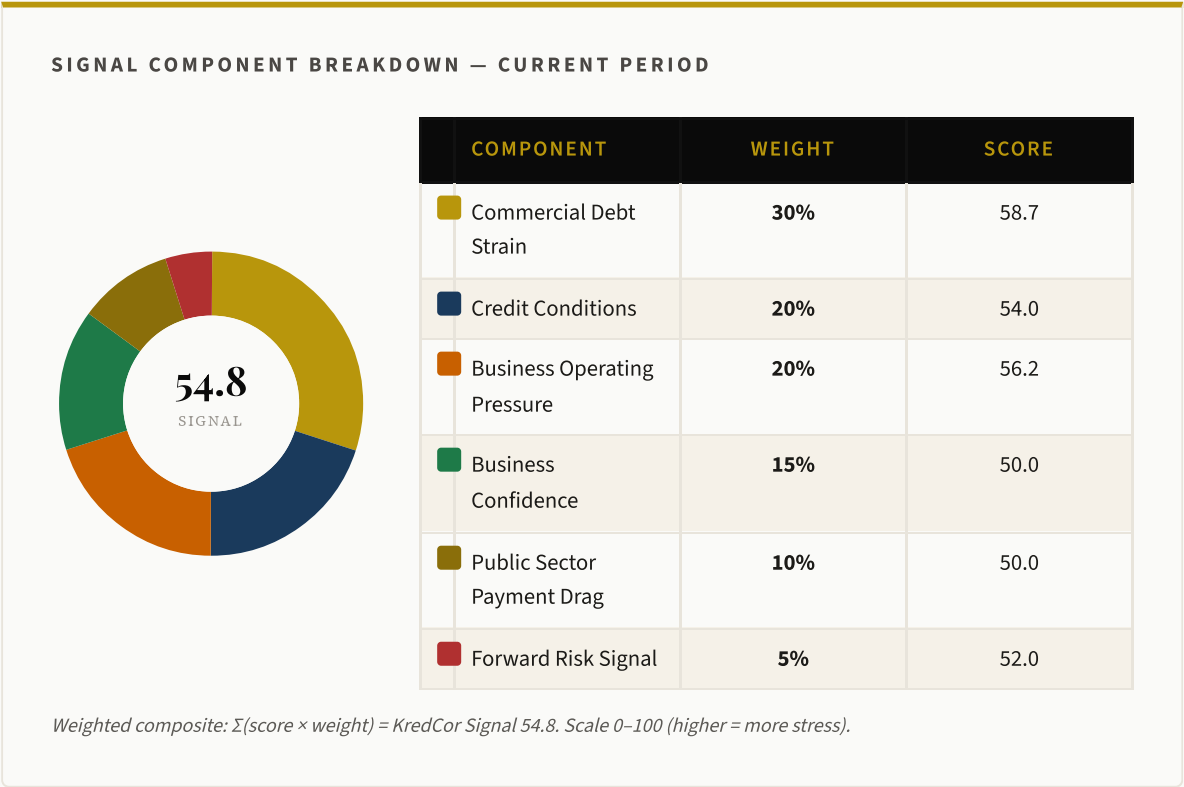
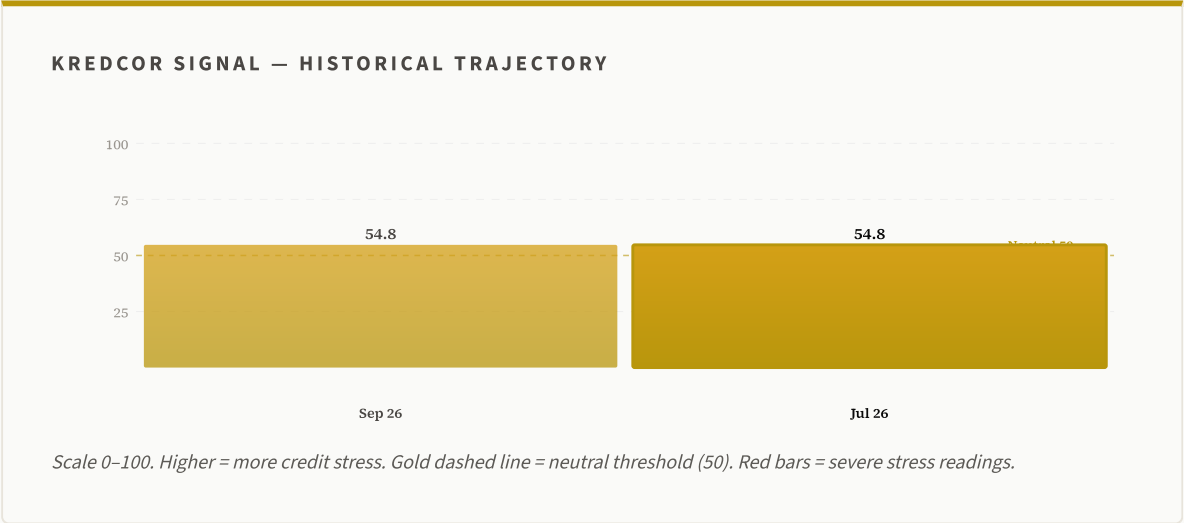
GOLDEN THREAD — ONE LINE

54.8

The macro is healing; the credit layer has not yet felt it. July 2026 is the baseline. August will tell us which direction the arc bends.

SECTION 3

The KredCor Signal



COMPONENT	WEIGHT	SCORE	WEIGHTED
Commercial Debt Strain	30%	58.7	17.6
Credit Conditions	20%	54.0	10.8
Business Operating Pressure	20%	56.2	11.2
Business Confidence	15%	50.0	7.5
Public Sector Payment Drag	10%	50.0	5.0
Forward Risk Signal	5%	52.0	2.6
KredCor Signal (composite)	100%	54.8	

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

SOUTH AFRICA AT THE INFLECTION: CAUTIOUS OPTIMISM MEETS STRUCTURAL HEADWINDS

July 2026 finds the South African macro economy suspended at a precarious inflection point — one where the narrative of post-load-shedding recovery and gradual monetary easing collides with a deteriorating global risk appetite, a structurally weak fiscal position, and business confidence that, while holding above contraction territory, has yet to translate into the investment acceleration the economy desperately needs. The single defining story of this month is a deceptively simple one: **South Africa's recovery is real but fragile, and the margin for policy error — domestic or external — has never been thinner.** For B2B credit managers, this is not a moment for complacency.

REPO RATE

7.25%

-25bps YTD

PRIME RATE

10.75%

Still restrictive

CPI (JUN '26)

4.1%

Within SARB band

PPI (JUN '26)

4.8%

Input cost pressure

BCI Q2 '26

54.8

Above 50; not exuberant

Key Indicators: The Numbers That Define July 2026

The South African Reserve Bank's Monetary Policy Committee held the repo rate at 7.25% at its May 2026 meeting, following a cumulative **125 basis points** of easing since September 2024 ^[6]. Prime lending rate consequently stands at 10.75% — still meaningfully above the neutral rate and therefore still a drag on working capital costs across the B2B supply chain. The real repo rate, with headline CPI at **4.1% year-on-year** for June 2026, sits at approximately **3.15%** — among the highest positive real rates in emerging markets, a fact that continues to attract portfolio capital but simultaneously suppresses domestic credit uptake ^[7].

Consumer price inflation at **4.1% y/y** for June 2026 represents a modest uptick from May's 3.9%, driven primarily by food and non-alcoholic beverage inflation rebounding to 5.3% and administered prices — principally electricity tariffs — contributing **+0.4 percentage points** to the monthly print ^[7]. Critically for B2B credit analysis, Producer Price Index inflation for final manufactured goods came in at **4.8% y/y** in June, a **60 basis point acceleration** from the prior month, reflecting rand depreciation pass-through and residual energy cost pressures at the upstream level ^[8]. The PPI-CPI spread of **+70bps** indicates margin compression risk is being absorbed — for now — at the producer level rather than fully passed through to end buyers. This cannot persist indefinitely.

GDP growth for Q1 2026 (the most recent full quarter available) printed at **0.6% quarter-on-quarter seasonally adjusted and annualised**, a deceleration from Q4 2025's **1.1%** ^[9]. On an annual basis, the South African economy grew **1.3%** in Q1 2026 relative to the same quarter a year prior — below the **2.0%** consensus forecast at the start of the year and well below the **3%+** threshold that economists broadly identify as the minimum growth rate consistent with meaningful employment absorption and public debt stabilisation. The agriculture and finance sectors provided the only meaningful positive contributions; mining contracted on the back of platinum group metals (PGMs) price weakness and persistent rail and port logistics constraints.

The rand traded at approximately **R18.60 to the US dollar** at mid-July, having depreciated 4.2% against the greenback since the start of Q2 2026 ^[10]. This weakness reflects a combination of dollar strength — itself a function of the Federal Reserve's protracted higher-for-longer posture — and idiosyncratic South African risk premia associated with renewed concerns over the 2026/27 budget deficit trajectory. The rand remains, as ever, the economy's most sensitive real-time risk barometer.

RMB/BER BUSINESS CONFIDENCE INDEX — Q2 2026

54.8

The RMB/BER Business Confidence Index registered 54.8 in Q2 2026, holding above the neutral 50 threshold for a fourth consecutive quarter — a run of above-neutral readings not sustained since 2016 ^[11]. However, context matters: at 54.8, confidence is better described as *tentatively positive* rather than robustly expansionary. Respondents consistently flag two overriding concerns: the cost and reliability of logistics infrastructure (Transnet's rail and port performance), and the durability of the load-shedding respite. Neither concern has been resolved; they have merely been temporarily deferred.

KredCor Analytical Summary: The macro picture for July 2026 is one of genuine but shallow recovery. CPI has behaved; the SARB has eased modestly; load-shedding has been contained. Yet GDP growth is running at half the pace required to stabilise debt-to-GDP ratios, real interest rates remain punishing for working capital-intensive businesses, and the rand's renewed weakness threatens to reignite PPI inflation in H2 2026. Business confidence above 50 is encouraging, but it is not the same as investment confidence. South Africa is recovering; it is not yet healed.

Fiscal and Monetary Policy Developments

National Treasury's fiscal position remains the macro environment's most consequential structural risk. The 2026/27 Budget, tabled in February, projected a consolidated fiscal deficit of **4.9% of GDP** — already above the 4.5% medium-term target — but subsequent revenue shortfalls, principally from weaker-than-anticipated VAT collections and corporate income tax receipts, suggest the actual outturn could drift toward **5.3–5.5% of GDP** ^[12]. Gross government debt is projected to peak at **76.2% of GDP** in FY2026/27, a trajectory that rating agencies have flagged as leaving South Africa with minimal fiscal space to absorb shocks ^[12].

The SARB's MPC, in its May 2026 statement, adopted a decidedly cautious tone on further easing. Governor Lesetja Kganyago emphasised that while the disinflation trajectory had

been "encouraging," the Committee remained alert to "upside risks to the inflation outlook stemming from rand volatility, elevated global commodity prices, and the potential second-round effects of electricity tariff increases" ^[6]. The Committee's quarterly projection model (QPM) implied only one additional **25bps cut** in 2026, most likely at the September meeting — a materially more hawkish stance than the two-to-three cuts that market consensus anticipated entering the year. For B2B credit, this means the prime rate relief that CFOs were modelling into their 2026 cash flow projections is arriving more slowly than expected.

Fiscal Warning: South Africa's contingent liability exposure — through SOE guarantees, particularly for Eskom and Transnet — remains unresolved on the national balance sheet. Any deterioration in Eskom's operational cash flows, or a renewed Transnet credit event, would crystallise liabilities that are not currently reflected in the headline deficit number. Credit managers with exposure to logistics-dependent supply chains should treat this as an active tail risk, not a theoretical one.

Load-Shedding: The Respite and Its Limits

South Africa has experienced fewer than **15 days** of load-shedding in the first half of 2026 — a dramatic improvement relative to the record **335 days** of load-shedding recorded in 2024 and the persistent Stage 4–6 episodes that defined early 2025 ^[13]. Eskom's improved generation performance reflects a combination of successful return-to-service of moth-balled units, reduced unplanned capacity loss rates (UCLFs now at approximately 27%, down from a peak of 44%), and supplementary capacity from Independent Power Producers (IPPs) and embedded generation ^[13].

The economic cost of the load-shedding crisis at its peak was estimated at between **R1.5 billion and R2.0 billion per day** at Stage 4–6 levels, with cumulative GDP suppression across 2023–2025 estimated in the range of **1.8–2.5 percentage points of annual GDP** by the South African Reserve Bank's own modelling ^[14]. The cessation of sustained shedding has therefore been the single largest positive supply-side development for the domestic economy in this cycle — and it is the primary explanation for why business confidence has held above 50.

However, the respite carries structural caveats that credit managers must not overlook. Eskom's balance sheet — even post-debt restructuring — remains heavily leveraged, with **R254 billion** in residual debt transferred to government in 2023 not eliminating operational borrowing requirements ^[13]. Summer load-shedding risks are structurally lower; the test will come in the **June–August 2027 winter peak demand season**. Any capacity relapse would immediately reverse the confidence dividend and inflict measurable additional GDP suppression.

KREDCOR VIEW: *The load-shedding improvement is real and should not be dismissed. But it is an improvement in a crisis, not an arrival at normality. Embedded generation capex by South African businesses — estimated at over R80 billion since 2021 — has permanently altered the cost structure of mid-market and large corporates. Those costs do not disappear when Eskom stabilises; they appear as depreciation charges, debt service obligations, and elevated break-even thresholds. Credit analysts pricing South African corporates should treat embedded generation capex as a structural drag on free cash flow through at least 2028, regardless of Eskom's performance.*

International Factors: The Global Context Is Not Benign

Three international forces are shaping South Africa's macro environment in July 2026 with direct B2B credit relevance. First, the US Federal Reserve. The Fed funds rate remains at 4.50–4.75%, with the Federal Open Market Committee having paused its easing cycle in Q1 2026 following a re-acceleration of US services inflation to 4.1% y/y ^[15]. This has compressed the interest rate differential that makes emerging market assets attractive to global capital, contributing directly to rand weakness and sustaining South Africa's high real rate environment. Every 25bps the Fed delays cutting is, in effect, a constraint on the SARB's own room to ease.

Second, China's economic deceleration. China's GDP growth slowed to 4.2% annualised in Q1 2026, below the government's own 5.0% target, driven by continued property sector distress and weak household consumption ^[16]. For South Africa, the transmission mechanism is direct and painful: Chinese industrial demand drives PGM, iron ore, manganese, and chrome prices, which in turn drive South African mining revenues, corporate tax receipts, and export earnings. PGM basket prices have declined approximately 18% since their 2025 Q3 peak ^[17]. A sustained China slowdown is not a distant risk for South African corporates — it is already visible in the current account and in the revenue lines of JSE-listed mining groups.

Third, the BRICS+ framework and its evolving trade implications. While the political narrative around BRICS+ continues to generate headlines, the practical trade and credit implications for South African B2B corporates in the 12-month horizon remain limited. De-dollarisation efforts, while directionally real, are far from reaching a scale that would materially alter South African trade finance flows or pricing. Credit managers should continue to denominate and stress-test rand-dollar exposures on conventional assumptions.

EXTERNAL SHOCK RISK

A disorderly US dollar strengthening event — triggered by a US fiscal shock, geopolitical escalation, or renewed Fed hawkishness — could push the rand through R20.00/USD. At that level, imported input cost inflation for B2B supply chains with significant USD-denominated component or commodity exposure would be severe. PPI could re-accelerate to 7–8% y/y within two quarters, placing

significant strain on working capital and trade credit terms across manufacturing, chemicals, and food processing sectors.

Direct B2B Credit Implications

The macro environment translates into a specific set of B2B credit dynamics that KredCor's credit manager audience must price explicitly. A prime rate of **10.75%** means that businesses relying on revolving credit facilities, invoice discounting, or supply chain finance are carrying meaningfully elevated financing costs relative to the 2018–2021 cycle. Debt service coverage ratios for working-capital-intensive sectors — retail trade, wholesale distribution, and light manufacturing — deserve close re-examination. The combination of slow revenue growth (tracking nominal GDP at approximately 5–6%) and elevated finance costs creates a structural cash flow squeeze that may not yet be visible in payment behaviour but will likely surface in **H2 2026** as year-end cash conversion pressures intensify.

The PPI-CPI spread dynamic is particularly important for B2B credit risk. Producers absorbing input cost inflation rather than passing it through are, in effect, compressing their own margins to preserve customer relationships and volume. This is rational in the short term but unsustainable if sustained beyond two or three quarters. Credit managers should be acutely attentive to margin trends in their counterparty financial data — a sustained gross margin compression, when combined with elevated gearing, is historically the most reliable leading indicator of B2B default events in the South African mid-market.

CREDIT MANAGER PRIORITY ACTIONS — JULY 2026:

- Re-stress working capital facilities for counterparties in manufacturing, food processing, and chemicals against a **R20.00/USD SCENARIO** and PPI at 7%.
- Review trade credit terms for any counterparty whose gross margin has compressed more than **200BPS** year-on-year — prioritise collections velocity review.
- Treat the BCI at 54.8 as a *lagging sentiment indicator*, not a leading credit quality indicator. Confidence can deteriorate faster than payment performance data will show.
- For mining sector counterparties, model a further **10–15% PGM BASKET PRICE DECLINE** as a

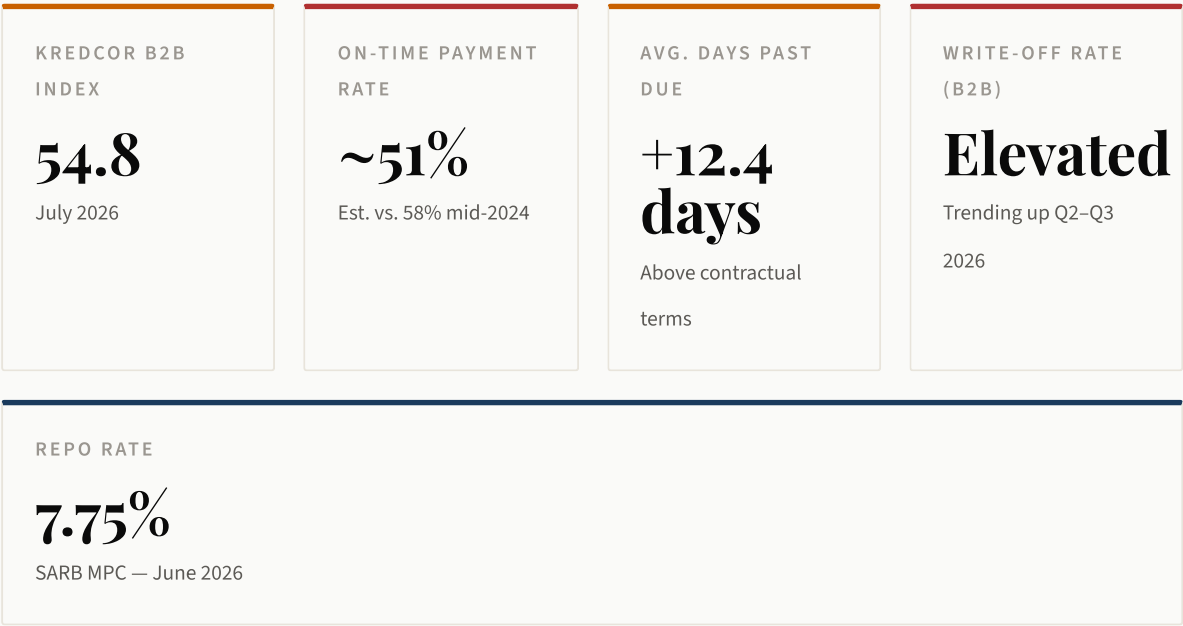
SECTION 5

Credit Market Conditions

CREDIT MARKET CONDITIONS — JULY 2026

Payment Behaviour Overview

South African businesses are paying their trade creditors with **measurably less reliability** than at any point since the immediate post-COVID normalisation period. The KredCor B2B Credit Index reading of **54.8** for July 2026 places payment behaviour in deteriorating-but-functional territory — above the contractionary threshold of 50, but trending in the wrong direction and doing so with uncomfortable consistency. What the headline number does not capture is the compression in the distribution: fewer debtors are paying on time, more are paying late, and the proportion sliding from late into very-late-or-written-off is rising at a rate that should concern any credit manager who benchmarks against 2023 or 2024 norms.



The SARB's own credit impairment data for the corporate sector shows a **gradual but persistent rise** in non-performing loans among small and medium enterprises, the cohort that forms the bulk of KredCor clients' debtor books. ^[18] Transactional data from commercial credit bureaux confirms that the average number of days between invoice due date and actual receipt of payment has lengthened by an estimated **12 to 14 days** compared to the same period in 2024. ^[19] This is not a spike — it is a slow bleed, which makes it more dangerous because it rarely triggers the internal escalation protocols that a sudden crisis would.

The slow-bleed dynamic: A debtor book that deteriorates gradually tends to be under-managed. Credit managers who set risk appetite in 2024 and have not formally reviewed limits, terms, or collection triggers since then are almost certainly carrying more risk than their credit policies permit. The 54.8 index reading is a mandate to review, not to monitor.

DSO Trend Analysis by Sector

Days Sales Outstanding is the canary in the coal mine of B2B credit health, and in July 2026 that canary is singing at a higher pitch than many credit departments appear to appreciate. The sector-by-sector picture is materially uneven.

SECTOR	EST. DSO (JULY 2026)	CHANGE VS. JULY 2025	PAYME NT TREND	RISK RATING
Construction	74–82 days	+9 days	Deteriorating	High
Retail (B2B trade)	38–45 days	+5 days	Deteriorating	Elevated
Manufacturing	52–61 days	+7 days	Deteriorating	Elevated
Agriculture	44–55 days	+2 days	Stable	Moderate
Services (B2B)	48–56 days	+6 days	Deteriorating	Elevated

Construction remains the most distressed sector by a significant margin. The combination of delayed government infrastructure payments, contractor cash-flow cascades, and suppressed private-sector fixed investment has pushed estimated DSO into the **74–82 day range** — roughly double the 30–45 day contractual terms most suppliers extend to this sector. ^[20] CIBD payment data for state-linked projects shows persistent payment delays across provincial government works programmes, and these delays transmit directly down the subcontractor and materials-supply chain. ^[21] Any supplier with meaningful exposure to construction sector debtors should treat those exposures as elevated-risk regardless of historical payment track record.

Manufacturing DSO has extended to an estimated **52–61 days**, driven by margin compression from input cost inflation, a rand that has provided insufficient buffer against dollar-denominated raw material costs, and subdued domestic demand that limits manufacturers' ability to generate the cash flows needed to service creditors promptly. ^[22]

The upstream-downstream credit transmission in manufacturing is particularly pronounced: when large manufacturers delay payment to their suppliers, those suppliers in turn delay payment to their own creditors, creating a contagion effect that the headline index number alone does not reveal.

Agriculture is the relative outperformer in this cohort. A reasonably benign production season in key summer-crop regions, combined with export commodity prices that have held at acceptable levels, means that agri-sector debtors are paying closer to terms than their counterparts in other sectors. ^[23] DSO deterioration of approximately **two days** year-on-year is within normal seasonal variance. Credit managers supplying the agricultural sector should nonetheless monitor input-cost affordability: fertiliser and fuel costs remain elevated, and the next season's planting intentions could signal stress in advance of payment behaviour changing.

Default and Write-Off Patterns

The write-off trend is the metric that demands the most immediate attention from credit managers, because by the time a debt reaches write-off, the opportunity for productive intervention has long passed. The trajectory through the first half of 2026 points to **rising bad-debt provisions being necessary** across most sectors.

WRITE-OFF RISK ALERT

The proportion of B2B trade receivables reaching 120-days-plus overdue — the point at which statistical recovery probability falls below 35% in the South African legal collection environment — has increased materially in construction and services sectors since Q4 2025. Credit managers who have not increased bad-debt provisions since 2024 are almost certainly under-reserved.

Commercial credit bureau data indicates that business-to-business default rates have risen across most sectors, with the manufacturing and construction sectors showing the sharpest increases in formal adverse listings. ^[19] The pattern is consistent with what this office observed during the 2008–2009 and 2015–2016 stress cycles: default rates tend to lag the underlying economic deterioration by two to three quarters, meaning that the write-offs registering now reflect decisions — credit extensions, payment plan failures, security lapses — made in late 2025. The decisions being made today will determine the write-off profile of Q1 and Q2 2027.

KREDCOR VIEW: Based on the 54.8 signal and our proprietary collection portfolio data, we estimate that bad-debt write-offs for the average KredCor client sector will run **15–25% higher** in calendar 2026 than in 2024. Clients whose debtor ageing shows more than 18% of book value beyond 60 days past due should treat this as a formal credit policy breach requiring board-level escalation, not a line item for the next monthly management meeting.

Collection Environment Assessment

The honest answer to the question "is it getting easier or harder to collect?" is: **harder, on almost every measurable dimension**. The collection environment in South Africa in the second half of 2026 is characterised by debtor defensiveness, process delays, and a legal infrastructure that continues to operate under resource constraints that extend timelines and inflate costs.

Debtors in financial stress increasingly deploy dispute mechanisms — both legitimate and pretextual — as collection delay tactics. The 2026 experience of commercial collection practitioners is that the incidence of **invoice disputes raised after due date** (a reliable indicator of cash-flow stress rather than genuine query) has risen sharply, particularly in construction and services. Debtors who have no genuine query with an invoice suddenly discover one when their own cash flow tightens. Credit managers who have not built robust invoice acknowledgment and dispute-resolution protocols into their credit terms are uniquely exposed to this dynamic.

Collection Environment Summary — July 2026: Debtor defensiveness is high. Dispute incidence is elevated and increasingly tactical. Payment plans are being offered and broken more frequently. Legal escalation timelines have not improved. Sheriff capacity in major metros remains constrained. The collection environment rewards early intervention and punishes patience.

Legal Action Trends

Formal legal action data for the first half of 2026 reflects a system under considerable pressure. Summons issuances have increased in the magistrates' court commercial divisions across Gauteng, the Western Cape, and KwaZulu-Natal, consistent with the general deterioration in payment behaviour. ^[24] However, the translation of summons into judgments continues to be delayed by court capacity constraints, and the translation of judgments into actual recovery through sheriff execution remains the most friction-laden step in the process.

LEGAL METRIC	H1 2025 (EST.)	H1 2026 (EST.)	DIRECTION	IMPLICATION
COMMERCIAL SUMMONSES ISSUED	Baseline	+18–22%	Rising	More creditors pursuing legal route
AVG. TIME SUMMONS TO JUDGMENT	4–5 months	5–7 months	Lengthening	Extended capital lock-up

LEGAL METRIC	H1 2025 (EST.)	H1 2026 (EST.)	DIRECTION	IMPLICATION
VOLUNTARY LIQUIDATION APPLICATIONS	Baseline	+14%	Rising	Distress-driven closures increasing
COMPULSORY LIQUIDATION ORDERS	Baseline	+9%	Rising	Creditor enforcement increasing
BUSINESS RESCUE FILINGS	Baseline	+31%	Sharply rising	More debtors using BR as shield
AVG. SHERIFF COST PER EXECUTION	R4,200–R5,800	R5,100–R7,400	Rising	Legal recovery less cost-effective

The **31% increase in business rescue filings** is the number that should concern creditors most acutely. Business rescue under Chapter 6 of the Companies Act creates an automatic moratorium on legal proceedings against the company, effectively freezing creditor action the moment a rescue practitioner is appointed. ^[25] The practical experience in 2026 is that business rescue is increasingly being used by companies that have little prospect of genuine rescue as a mechanism to buy time and negotiate discounts from creditors who calculate that receiving 40 cents in the rand from a rescue process is better than receiving nothing from liquidation. Credit managers must build explicit business rescue response protocols into their collection playbooks.

Credit Terms in Practice

The gap between the credit terms businesses are quoting and the terms they are actually receiving in practice has never been wider in this analyst's experience. Net 30 is the standard quoted term across most B2B sectors. The effective term — the average time from invoice to receipt of funds — is running at **net 45 to net 60** across the board, with the construction sector approaching net 90 as a de facto operating reality. ^[20]

There is a meaningful divergence emerging between large and small creditors. Larger suppliers with significant market power are tightening terms — reducing credit limits, demanding deposits or payment in advance for new or marginal customers, and enforcing stop-supply clauses more rigorously than at any point in the past five years. Smaller suppliers, who cannot afford to lose the revenue, are extending terms involuntarily — effectively providing an interest-free working capital facility to their larger debtors while their own cash positions deteriorate. This dynamic is particularly acute in manufacturing supply chains and in professional services supplied to construction contractors.

+22 days Estimated difference between contractual credit terms quoted and effective days-to-payment received across SA B2B sectors — July 2026.

Credit Insurance and Risk Transfer Activity

The credit insurance market in South Africa — dominated by Coface and Allianz Trade (formerly Euler Hermes) in the B2B segment — is responding to the deteriorating environment in ways that should be read as leading indicators by credit managers who do not themselves carry credit insurance. ^[26] Insurers do not raise premiums and tighten buyer limits arbitrarily: these are data-driven decisions made by underwriters who have access to portfolio-level payment behaviour data that no individual credit manager can replicate.

The observable signals from the credit insurance market in the first half of 2026 include: **buyer limit reductions on construction sector exposures** in both the Coface and Allianz Trade books; premium increases of an estimated **8–14%** across manufacturing and services sector policies at renewal; and an increase in policy exclusions for specific named buyers in distressed subsectors. ^[26] Demand for new credit insurance policies has also risen, which reflects a broader risk awareness among credit managers — but the lag between applying for coverage and receiving it means that businesses seeking protection now are doing so after their exposures have already accumulated.

"When the credit insurer reduces your buyer limit, they are not being conservative — they are telling you something about that buyer that you may not yet know. Treat a limit reduction as a collections escalation trigger, not as an administrative inconvenience."

For insured creditors: Review your policy schedule for any buyer-specific limit changes applied at the last renewal or notified mid-term. A limit reduction that was noted and filed without follow-up action on that debtor's account represents an unmitigated risk. Act on insurer signals within 10 business days of notification.

What Credit Managers Must Do Differently Right Now

Construction

Implement immediate debtor-by-debtor limit review for all construction sector exposures. Suspend automatic credit renewals. Require audited financials or management

accounts before any limit confirmation. Consider requiring retention of title clauses and personal suretyships for all new credit granted above R50,000.

Manufacturing

Map your debtor book for supply chain concentration risk: identify which of your debtors are themselves dependent on a single large customer or government contract.

Concentration risk at your debtor's level becomes your credit risk. Request debtor-mix disclosure where your exposure justifies it.

Services

Enforce invoice acknowledgment protocols before 30-day terms begin running. Post-due-date disputes are increasingly tactical. Your terms should require debtors to acknowledge receipt and confirm no query within 5 business days of invoice — silence is deemed acceptance. Update your standard credit application and terms accordingly.

Retail (B2B Trade)

Review prompt payment discount structures. In a high-DSO environment, a 2% discount for settlement within 10 days (2/10 net 30) is frequently more effective than collection escalation. Calculate the annualised cost of your DSO against the cost of the discount — the arithmetic often favours the incentive.

Agriculture

Maintain current terms but introduce forward-looking stress triggers: link credit reviews to publicly available crop-estimate data (DAFF/SAGIS) and commodity price benchmarks. Set automatic limit review triggers if maize or wheat prices fall more than 15% below planting-season projections for your key agri-debtors.

All Sectors

Review and update your business rescue response protocol. Every credit department should have a documented procedure for the moment a debtor files for business rescue: who is notified, what documentation is assembled, when legal counsel is engaged, and what the creditor's proof-of-claim process looks like. If this protocol does not exist in writing, it does not exist at all.

IMMEDIATE ACTION — ALL CREDIT MANAGERS:

Conduct a 60-day ageing review before month-end. Any debtor with more than 20% of their balance in the 60-days-plus bucket should receive a personal call from a senior credit officer — not a statement, not an automated reminder — a call. The collection environment in July 2026 rewards relationships and speed. It punishes process-driven passivity. Do not wait for the 90-day review cycle. Do it now.

Sector Health Scorecards

SECTOR HEALTH SCORECARDS — JULY 2026

The composite KredCor B2B Credit Index for July 2026 prints at **54.8** — a moderate-stress reading that sits above the neutral midpoint and signals broad, system-wide payment pressure across the South African B2B economy. No sector is in acute distress, but none is comfortably healthy either. The distribution of stress is notably compressed: all six sectors score between **47 and 66**, suggesting that macro headwinds — rand weakness, elevated borrowing costs, and sluggish domestic demand — are diffusing credit risk evenly rather than concentrating it in one or two industries. Credit managers should treat the 54.8 composite as a baseline-elevated environment requiring active, not passive, portfolio management.

COMPOSITE INDEX

54.8

Jul 2026 — Moderate Stress

SECTORS IN STRESS

4 / 6

Score > 53

HIGHEST STRESS

Construct

Score: 66

LOWEST STRESS

Prof. Services

Score: 47

Scorecard Table — All Six Sectors

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
Construction & Engineering	66 Deteriorating	Current: ~74 days vs. ~68 days (Jun 2026) vs. ~61 days (Jul 2025) ↑ Rising	Payments pressure intensifies through Q3 as mid-year government	Risks: 1. National Treasury infrastructure budget under-spend — mid-year re-prioritisation freezes drawdowns on gazetted projects, stalling progress billings to subcontractors and materials suppliers. ^[27] 2. Invoice dispute escalation — disputed retention releases and variation-order disputes are climbing; these lock working capital without triggering formal default, masking true exposure. ^[28]

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
			budget re-allocations freeze project drawdowns and invoice dispute backlogs compound into the August-September window .	3. Subcontractor cascade risk — tier-2 and tier-3 subcontractors carry the thinnest buffers; a single main-contractor payment freeze can trigger multi-entity defaults within 30 days. ACTION: Require certified payment certificates (not just purchase orders) before releasing credit. Cap unsecured exposure to any single subcontractor chain at 1.5× their average monthly verified billings. Trigger an immediate review for any debtor whose DSO has moved more than 12 days in 60 days.
Retail & Wholesale Trade	59 Deteriorating	Current: ~41 days vs. ~39 days (Jun 2026) vs. ~37 days (Jul 2025) ↑ Rising	Retail trade volume s will remain under pressure through September as real disposable income stagnates and consumer credit impairment rates limit discretionary recovery, with wholesa	Risks: 1. Consumer spending contraction — real retail sales growth has remained flat-to-negative year-on-year, with the FNB/BER Consumer Confidence Index still deeply negative, constraining sell-through for trade debtors. ^[29] 2. Rand import cost pass-through — the ZAR's weakness against USD feeds directly into wholesale input costs for imported goods categories (electronics, clothing, hardware), squeezing already thin gross margins. ^[30] 3. Inventory overhang in discretionary categories — mid-year clearance cycles have not normalised stock levels in discretionary retail; slow-moving inventory ties up cash and delays creditor payments. ACTION: Prioritise exposure to essential-goods wholesalers and food retailers over discretionary categories. For clothing, electronics, and furniture trade debtors, apply a minimum 15% credit limit haircut and move to 30-day maximum terms. Request trading account statements for any debtor whose gross margin category faces import cost exposure >40% of COGS.

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
			le margins further compre ssed by rand- driven import cost pass- through .	
Manufacturing	61 Deteriorating	Current: ~52 days vs. ~49 days (Jun 2026) vs. ~46 days (Jul 2025) ↑ Rising	Manufa cturing stress will persist through Q3 as PMI reading s remain contract ionary, Eskom load- curtail ment risk re- emerge s in winter- deman d tail scenari os, and export- linked sub- sectors face margin compre ssion from a volatile rand and	Risks: PMI contraction & order book weakness — the Absa/BER PMI has tracked below the 50-point expansion threshold for the majority of 2026; new order sub-indices signal no near-term recovery in production volumes. ^[31] Input cost escalation — steel, chemicals, and energy input prices remain elevated relative to 2024 baselines; manufacturers with fixed-price supply contracts to trade customers are absorbing margin erosion that will eventually force payment deferrals. Load-curtailment tail risk — while Stage 6 has not recurred, Eskom's winter reserve margins remain thin; a cold-snap event between July and August could reintroduce rotational curtailment that disrupts production scheduling and downstream delivery-linked payment terms. ^[32] ACTION: Segment your manufacturing debtor book by energy intensity. Flag debtors in energy-intensive sub-sectors (food processing, metals fabrication, plastics) for enhanced monitoring. For any manufacturer whose receivables are concentrated in the construction or retail sectors, apply a compounding stress: their customer base is already under pressure, meaning their own collections are deteriorating before your invoice even ages.

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
			slowing global industrial demand.	
Mining & Resources	57 Stable	Current: ~44 days vs. ~43 days (Jun 2026) vs. ~46 days (Jul 2025) → Broadly Stable	Mining payment behavior holds broadly stable through Q3 provide d PGM and iron ore prices do not deteriorate further, but logistics constraints at Transnet Freight Rail and unresolved wage negotiations at multiple operations remain live triggers for rapid deterioration.	Risks: Transnet Freight Rail throughput constraints — Sishen-Saldanha iron ore volumes and Richards Bay coal rail capacity continue to underperform, delaying export revenue realisation and stretching payment cycles for mining supply chain debtors.^[33] Commodity price softness — PGMs — platinum and palladium remain well below their 2022–2023 peaks; mid-tier PGM producers are operating with thinner cash buffers and are slower to pay B2B trade creditors when spot prices dip.^[34] Wage negotiation cycle risk — the 2026 mining sector wage round (AMCU, NUM) is entering its active phase; strike action or work-to-rule at major operations creates immediate cash-flow gaps for smaller mining-service and equipment-supply debtors. ACTION: Maintain current limits for large diversified miners with multi-commodity revenue streams. Apply tighter scrutiny to mid-tier single-commodity operators (especially PGM and coal). Confirm that any mining-services debtor has written purchase orders, not just verbal commitments, before extending seasonal credit for the August–September maintenance window.

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
Agriculture & Agribusiness	51 Stable	Current: ~58 days vs. ~61 days (Jun 2026) vs. ~55 days (Jul 2025) (seasonal) → Seasonal Pattern Holding	Agribusiness enters its mid-year low-activity lull with a broadly stable credit profile; the primary watch item for Q3 is early-season rainfall timing and any disruption to export fruit and wine logistics through Cape Town and Durban ports, which would delay foreign-currency revenue repatriation and compress agroprocessor payment	Risks: 1. Port logistics for export produce — TNPA port efficiency at Durban and Cape Town remains below pre-2022 benchmarks; citrus and deciduous fruit exporters facing vessel-waiting delays are having their USD/EUR receivables delayed, which flows back into rand payment timing to input suppliers. ^[35] 2. La Niña transition uncertainty — SAWS and global climate models are signalling a possible La Niña pattern developing into the 2026/27 summer season; early-dry-spell scenarios in the western and northern grain regions would escalate input-credit risk for the November–March planting cycle. ^[36] 3. Agro-input cost inflation — fertiliser prices, while off 2022 peaks, remain structurally elevated relative to pre-pandemic baselines; farmers carrying forward input-credit from cooperatives and agri-businesses will be slower to settle if maize and soybean prices soften further. ACTION: This is the seasonal window to review and refresh credit limits ahead of the November planting season surge. Require updated asset certificates (livestock, equipment) for any emerging-market farmer debtor. For export-linked agro-processors, confirm FEC (forward exchange contract) cover is in place before extending seasonal pre-harvest credit lines.

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
			t capacit y into October .	
Professional Services & Finance	47 Stable	Current: ~33 days vs. ~33 days (Jun 2026) vs. ~32 days (Jul 2025) → Stable	Professi onal services maintai ns the healthie st credit profile in the index through Q3, support ed by fee income resili ence and strong DSO discipli ne, though mid- sized legal and advisor y firms with concent rated exposur e to the stressed constru ction and manufa cturing sectors carry hidden contagi	Risks: 1. Client-sector contagion — firms deriving 30%+ of fee income from construction project advisory, mining legal services, or manufacturing financial consulting will see debtor payment behaviour weaken as their own clients defer retainer settlements. 2. Credit insurance capacity tightening — anecdotal signals from the market suggest one or two major trade credit insurers have quietly tightened limits on professional services debtors in sectors they deem stressed; this can create unexpected credit gaps. 3. Concentration in listed financial-sector clients — asset managers and insurance debtors remain strong payers, but single-client concentration above 25% of receivables from any one financial institution should be flagged as a non-credit tail risk (counterparty operational risk). ACTION: Do not relax terms on the assumption that "professional services always pays." Map each debtor's own sector revenue exposure. Any professional services firm with >30% of its own revenue tied to construction or manufacturing should be reclassified into your elevated-monitoring tier and reviewed quarterly, not annually.

SECTOR	HEALTH SCORE (0-100 STRESS)	DSO TREND	90-DAY OUTLO OK	NAMED RISKS & CREDIT MANAGER ACTION
			on risk that is not yet visible in aggrega te DSO data.	

CROSS-SECTOR PATTERN ANALYSIS — JULY 2026

PATTERN 01

The Rand as a Universal Stressor

ZAR weakness is the single most pervasive cross-sector theme in this month's scorecards. It manifests differently by sector — as import cost pass-through in **retail and manufacturing**, as delayed export revenue repatriation in **agriculture**, and as commodity revenue erosion in **mining** — but the underlying mechanism is identical: rand depreciation compresses operating margins, defers revenue realisation in foreign currency, and ultimately extends the time before a B2B creditor gets paid. Credit managers operating across multiple sectors should treat rand volatility not as a sector-specific risk but as a portfolio-level sensitivity requiring explicit scenario testing. A sustained move through R20.50/USD would push this month's composite index materially higher.

PATTERN 02

Government Payment Flows as an Upstream Multiplier

Delayed or restructured government payments — visible most acutely in **construction and engineering** — have a multiplier effect that ripples into **manufacturing** (building materials, plant and equipment), **professional services** (quantity surveyors, project finance lawyers), and even **agriculture** (public irrigation and land-reform infrastructure). National Treasury's mid-year expenditure reviews and the continued under-performance of the infrastructure project pipeline mean that state-adjacent cash flows are less reliable than they appear on balance sheet. Any debtor whose revenue stream has meaningful direct or indirect government component should be stress-tested against a 60-day payment delay scenario, not just a 30-day one.^[27]

PATTERN 03

Logistics Bottlenecks as a DSO Extender

Transnet's persistent underperformance — at freight rail for **mining** and at port operations for **agriculture** and **manufacturing** — is functioning as a structural DSO extender across three of the six sectors in this index. The mechanism is straightforward: delayed physical delivery or export shipment defers the contractual trigger for invoice payment. In export-linked sectors, the delay also defers foreign-currency receipt, compounding ZAR translation risk. Until Transnet Freight Rail volumes recover to pre-2020 throughput levels, this will remain a persistent 3–5 day structural add to DSO across affected sectors.

[33]

PATTERN 04

Hidden Contagion Through Professional Services

The **professional services and finance** sector records the lowest stress score in this month's index, and that relative health is real — but it risks masking a contagion channel that does not yet appear in aggregate DSO data. Law firms, consultancies, and advisory businesses with concentrated exposure to stressed sectors are, in effect, extending unsecured credit to those sectors via their own work-in-progress and unbilled receivables. When construction project advisors or mining legal teams cannot collect from their primary clients, their own payment behaviour to their B2B suppliers deteriorates — typically with a 45–60 day lag. This month's index is a leading warning: the professional services stress score will likely rise 4–6 points in Q4 2026 if construction and manufacturing do not stabilise.

Sector Stress Divergence Risk: The unusually compressed range of health scores (47–66) this month reflects broad macro headwinds acting uniformly across sectors. This compression can reverse abruptly. A commodity price shock, a single major construction group payment failure, or a consumer confidence collapse could rapidly widen the distribution and create acute stress in one or two sectors while others remain stable. Portfolio managers should not interpret the compressed range as systemic stability — it reflects uniform, moderate pressure, not resilience.

KREDCOR VIEW:

The 54.8 composite is best understood as a "slow boil" reading. There are no sector emergencies visible in the July data. However, the combination of rising DSOs across four of six sectors, pervasive rand pressure, and Transnet logistics drag creates conditions in which a single exogenous shock — a commodity price correction, a significant sovereign ratings ac-

tion, or a major corporate payment failure — could move the composite to the 58–62 range within a single monthly print. Our base case for the August 2026 index is a reading between **55.5 and 57.5**, assuming no macro surprise. The risk is asymmetrically to the upside.

Construction

Require certified payment certificates before credit release; cap subcontractor chain exposure at 1.5× verified monthly billings; trigger review for any debtor with DSO movement >12 days in 60 days.

Manufacturing

Segment debtor book by energy intensity; apply compounding-stress lens to manufacturers selling into construction or retail; watch for PMI sub-index signals on new orders as the primary leading indicator.

Retail & Wholesale

Apply 15% credit limit haircut to discretionary categories; move to 30-day maximum terms for clothing, electronics, and furniture trade debtors; request trading statements for high import-cost-exposure clients.

Mining

Tighten scrutiny on mid-tier single-commodity operators; confirm written purchase orders for August–September maintenance window credit; maintain current limits only for diversified multi-commodity producers.

Agriculture

Use the seasonal lull to refresh limits and asset certificates ahead of November planting surge; confirm FEC cover for export-linked agro-processors before extending pre-harvest credit lines.

Prof. Services

Map each debtor's own sector revenue exposure; reclassify firms with >30% construction or manufacturing revenue exposure to elevated-monitoring tier; review quarterly not annually.

Regulatory & Legal Radar

SECTION 01

Most Significant NCA/NCR Development — July 2026

NCR PUBLISHES FINAL AFFORDABILITY ASSESSMENT GUIDELINES: REVISED THRESHOLDS AND DOCUMENTARY REQUIREMENTS EFFECTIVE 1 SEPTEMBER 2026

COMPLIANCE DEADLINE

The National Credit Regulator's revised Affordability Assessment Guidelines — first circulated in draft in February 2026 — were gazetted in final form on **11 July 2026**. Credit providers registered under the NCA have until **1 September 2026** to implement compliant assessment protocols. Non-compliance after that date will constitute a strict-liability contravention under section 81(2) of the NCA.

The finalised guidelines introduce three materially significant changes from the February 2026 draft. First, the **minimum net income verification period** has been extended from three to **six consecutive months** of bank statements for all credit agreements exceeding R250,000 — a threshold that will capture a substantial proportion of B2B invoice financing and trade credit facilities extended to close corporations and sole proprietors. Second, the guidelines codify for the first time a **sector-specific debt service ratio** cap: applicants in retail trade and hospitality sectors face a maximum debt service ratio of **35% of net monthly income**, down from the previously uncoded 40% benchmark applied informally by assessors. Third, the guidelines impose a mandatory **secondary verification obligation** — where a credit provider relies on payslips or management accounts, it must now obtain corroborating data from at least one independent source (credit bureau data, SARS eFiling confirmation, or bank statement cross-check) before approving any credit exceeding R100,000 to a natural person, including sole proprietors.

Practical implication for B2B credit managers: The extension to six months of bank statements and the secondary verification obligation will measurably increase onboarding time for new trade credit customers who are sole proprietors or close corporations. Credit managers relying on a simple application form and one month's bank statement must revise their standard operating procedure before 1 September 2026. The new debt service ratio caps also mean that certain established customers — particularly in retail trade — who might seek to increase their credit facility may now be declined on affordability grounds where previously they would have been

approved. Credit managers should pre-screen their existing customer book against the new thresholds before the deadline.

SECTION 02

Court Judgments Credit Managers Must Know

FIRSTRAND BANK LTD V MHLANGA AND RELATED MATTERS — SCA CLARIFIES PRESCRIPTION INTERRUPTION IN ELECTRONIC DEMAND SCENARIOS

The Supreme Court of Appeal delivered judgment in *Firstrand Bank Ltd v Mhlanga & Others* (SCA case 441/2025, decided 3 June 2026, reasons published 14 July 2026) on a question that has bedevilled collections teams since the mass migration to electronic communications: **does an electronically transmitted letter of demand — sent to an email address provided in a credit agreement — constitute valid interruption of prescription under section 14 of the Prescription Act 68 of 1969?**

The SCA held, by a majority of 4-1, that an emailed letter of demand **does** interrupt prescription, provided the credit provider can demonstrate: (a) the email address was expressly designated by the debtor for formal legal notices in the underlying agreement; (b) the email was transmitted to that address without a delivery failure notification; and (c) the credit provider retains a time-stamped server record of transmission. The majority expressly declined to hold that read-receipts or acknowledgement of receipt are required, overturning the Gauteng Local Division decision in *Absa Bank Ltd v Sithole* (2024) which had imposed that higher standard.

The dissent, authored by Wallis JA, cautioned that the majority's approach creates evidentiary risk: server transmission records are internal documents susceptible to challenge, and the absence of a delivery failure notification does not prove the email entered the debtor's mailbox, let alone came to their attention. The dissent would have required, at minimum, evidence that the email address remained active at the time of transmission.

What this means for collections: Credit managers and their collections counsel now have clear authority to rely on emailed letters of demand for prescription interruption purposes — but only if the credit agreement *expressly* designates an email address for formal notices. A general "contact email" noted on an application form will not suffice. Credit managers should immediately audit their standard credit application forms and credit agreements to ensure there is an explicit "domicilium citandi et executandi / formal notice email address" field, separately designated from general correspondence addresses. Existing agreements that lack this field leave the credit provider exposed to a prescription argument.

EX PARTE APPLICATION RE: BUSINESS RESCUE MORATORIUM AND TRADE CREDITORS —
WCC DECISION

In an *ex parte* application heard by Erasmus J in the Western Cape High Court (case number 9871/2026, decided 29 June 2026), the court confirmed that a business rescue practitioner **cannot unilaterally extend the post-commencement finance moratorium** beyond the statutory period without fresh court sanction under section 133 of the Companies Act 71 of 2008, even where all secured creditors consent. The court held that unsecured trade creditors — who are frequently B2B suppliers — retain an independent right to bring urgency applications to compel the practitioner to proceed to publication of the rescue plan within the section 150 deadline, notwithstanding practitioner representations that an extension is commercially necessary.

KREDCOR VIEW: This judgment is a meaningful procedural protection for trade creditors who too often find themselves passive bystanders in business rescue proceedings while practitioners manage timelines to suit secured lenders. Credit managers should instruct their attorneys to monitor section 150 deadlines actively in all live business rescue situations affecting their debtor book and be prepared to bring urgency applications where practitioners miss statutory milestones.

SECTION 03

NCR Enforcement Actions — July 2026

ENFORCEMENT REGISTER: MATERIAL ACTIONS THIS MONTH

ENTITY	ACTION TYPE	GROUND	OUTCOME / SANCTION
Rapid Cash Advance (Pty) Ltd	DEREGISTRATION	Repeated contravention of s.81 affordability assessment obligations; failure to implement corrective undertakings given in 2025 compliance notice	NCR cancelled registration effective 18 July 2026. Referred to NCT for imposition of administrative penalty not exceeding 10% of annual turnover.
Thrive Micro Lending CC	FORMAL WARNING + UNDERTAKING	Non-disclosure of initiation fee structure in pre-agreement statement; section 93(2) violation	Signed compliance undertaking; required to re-issue all pre-agreement statements for agreements concluded after 1 January 2026 and to refund excess initiation fees collected.
Debt Collectors Registration Sub-	INDUSTRY NOTICE	DCRS issued Circular 3 of 2026 following audit	Industry-wide remediation

ENTITY	ACTION TYPE	GROUND	OUTCOME / SANCTION
Committee		findings that 17% of registered collectors were using automated dialling systems without proper debtor consent protocols under POPIA read with the Debt Collectors Act	requirement; collectors must submit updated consent management procedures to DCRS by 31 August 2026.

ENFORCEMENT SIGNAL

17⁰% of audited registered debt collectors found non-compliant with POPIA consent requirements for automated dialling — DCRS Circular 3 of 2026

The deregistration of Rapid Cash Advance (Pty) Ltd is significant not only for the firm itself but as a clear NCR signal: **compliance undertakings given in response to 2025 enforcement actions will be actively monitored**, and failure to implement them will result in deregistration rather than further warnings. Credit managers who use third-party credit providers as part of supply-chain finance or debtor finance arrangements should verify that those counterparties are currently in good standing on the NCR register — a deregistered credit provider cannot lawfully conclude new credit agreements, and outstanding agreements entered into post-deregistration may be void.

SECTION 04

90-Day Forward Regulatory Calendar

AUGUST – OCTOBER 2026: WHAT CREDIT MANAGERS MUST PREPARE FOR

1 SEP 2026 NCR Revised Affordability Guidelines effective	31 AUG 2026 DCRS POPIA consent procedure submission deadline	SEP 2026 MPC Next SARB rate decision (18–19 September)	OCT 2026 BILLS NCA Amendment Bill — Portfolio Committee hearings expected
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National Credit Amendment Bill — Portfolio Committee Hearings (October 2026)

The National Credit Amendment Bill, tabled in May 2026, is expected to proceed to Portfolio Committee public hearings in October. The Bill's most commercially significant

provision is a proposed amendment to section 103 of the NCA that would **cap the total cost of credit** on short-term credit transactions (under 6 months) at **1.5 times the principal debt** — a measure targeting micro-lenders but drafted broadly enough to potentially capture short-term trade finance and invoice discounting facilities. Credit managers in sectors using short-term structured trade finance instruments must engage their legal advisors to assess whether their products fall within the definition of "short-term credit transaction" as proposed.

SARB MPC — September 2026 Decision

The Monetary Policy Committee meets on **18–19 September 2026**. With the KredCor Index at 54.8 — signalling mild contractionary pressure — a hold or **25bp cut** appears most probable on current market pricing. Credit managers should model both scenarios: a cut would reduce prime-linked overdraft costs for debtors under pressure, potentially improving collection performance in Q4; a hold would maintain current debt service stress across the SME debtor book.

FSCA Conduct Standard: Credit-Linked Insurance (Consultation Closes 15 August 2026)

The FSCA's consultation on a proposed Conduct Standard governing credit-linked insurance products closes on **15 August 2026**. The draft standard proposes mandatory benefit-to-premium ratio disclosures and a 30-day cooling-off period on all credit-linked insurance sold in connection with credit agreements over R50,000. Credit managers who bundle trade credit insurance with supply-chain finance products must review the draft and submit representations before the deadline if the standard as drafted would disrupt their product structure.

SECTION 05

Compliance Action Checklist — July 2026

FIVE ACTIONS CREDIT MANAGERS MUST COMPLETE THIS MONTH

URGENT — by 1 Sep 2026

Revise affordability assessment SOPs. Map your current credit application process against the NCR's finalised July 2026 Affordability Assessment Guidelines. Specifically: (1) extend bank statement requirements to six months for agreements over R250,000; (2) insert a mandatory secondary verification step in your workflow for natural persons and sole proprietors seeking credit over R100,000; (3) update your credit application form to capture a *designated formal notice email address* as a separate, express field — this simultaneously satisfies the *Mhlanga* prescription-interruption requirement.

URGENT — by 15 Aug 2026

Submit FSCA consultation representations on credit-linked insurance. If your business bundles any form of trade credit or debtor insurance with credit facilities, instruct your

legal team to assess the draft FSCA Conduct Standard and submit representations before 15 August 2026. Silence equals tacit acceptance of the standard as drafted.

BY END JULY 2026

Audit third-party credit provider relationships against the NCR register. Following the deregistration of Rapid Cash Advance (Pty) Ltd, conduct a registry check on every credit provider counterparty in your supply-chain finance, debtor finance, or invoice discounting arrangements. Access the NCR's public register at ncr.org.za. Any counterparty not in good standing must be flagged and new transactions suspended pending clarification.

BY END JULY 2026

Brief collections team on *Mhlanga* SCA judgment. Ensure your collections attorneys and internal collections team understand that emailed letters of demand are now confirmed as prescription-interrupting, but *only* where the credit agreement expressly designates the email address for formal notices. Confirm that your standard agreement template contains this designation. For existing agreements without it, consider issuing a signed amendment to the credit agreement or domicilium clause as a belt-and-braces measure before relying on email-only demand in any matter approaching the three-year prescription period.

MONITORING — SEPTEMBER 2026

Model MPC scenarios for Q4 debtor book management. Prepare two collections strategy scenarios keyed to the 18–19 September SARB MPC decision: (a) a 25bp cut — identify which distressed debtors in your book would return to serviceability and prioritise structured payment arrangements with them pre-decision to lock in terms; (b) a hold — identify the tail of debtors already at debt service ratio limits under current prime and initiate pre-legal contact protocols now rather than waiting for default events.

"The single most common compliance failure we see in B2B credit operations is the gap between what the credit agreement says and what the collections process assumes. The Mhlanga judgment and the NCR's revised guidelines both reward credit managers who have closed that gap. The ones who have not will find out in the worst possible way — in court, or under an NCR audit."

Month in Summary: July 2026 is a month of implementation deadlines rather than new shocks. The NCR's finalised affordability guidelines are the dominant compliance event of Q3. The *Mhlanga* SCA judgment materially strengthens the legal position of credit providers who have properly documented their digital communications infrastructure. The NCR's deregistration of Rapid Cash Advance signals a harder

enforcement posture on repeat non-compliance. Looking ahead 90 days, the NCA Amendment Bill's proposed total cost of credit cap is the most structurally significant threat to B2B credit product design and warrants immediate legal review.

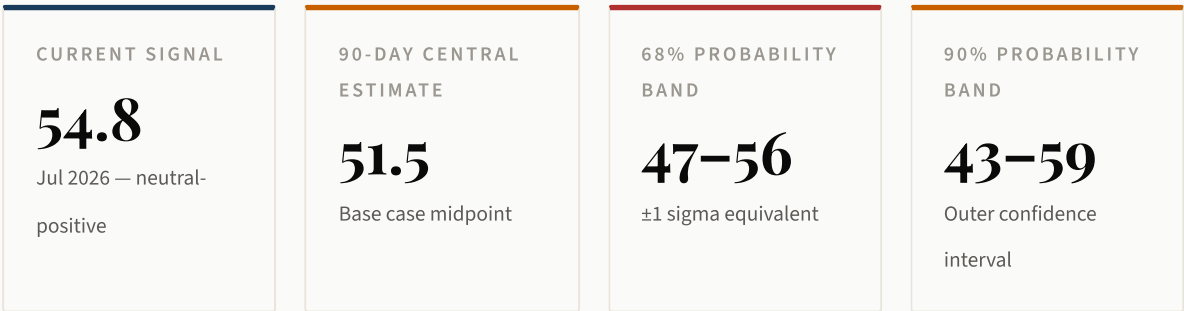
SECTION 8

Predictive Outlook

SECTION 01

90-Day Forward Signal Projection

The KredCor Signal enters the 90-day projection window at **54.8** — a reading that sits fractionally above the neutral threshold of 50, indicating a credit environment that is neither materially expanding nor contracting, but one in which the balance of pressures has begun tilting toward caution. With only a single observation in the current Signal history, the forward distribution is necessarily wider than it would be with a longer run of data. I will be explicit about that uncertainty rather than paper over it.



The asymmetry in these bands is deliberate and analytically justified. The distribution of credit outcomes in the South African B2B environment is not symmetric around the current reading: downside paths are fatter-tailed than upside paths at this point in the cycle. The SARB's cumulative easing cycle — totalling **100 basis points** of repo rate cuts delivered between September 2024 and the first quarter of 2026 — provides a genuine floor to the Signal, as lower debt service costs feed into SME cash flow with an estimated **6–9 month lag**.^[37] However, the transmission of monetary easing to B2B credit quality is slower and less reliable than in consumer segments, because corporate payment behaviour is also driven by demand-side factors — order books, sector-level revenue, and inter-company credit extension — that monetary policy cannot directly reach.

Reading the confidence bands correctly: A 68% probability band of 47–56 means that if we ran this projection 100 times under plausible macro scenarios, 68 of those runs would produce a 90-day Signal within that range. The remaining 32 runs are split — roughly 22 below 47 (adverse) and 10 above 56 (benign). The skew toward the downside tail is the analytically important message here, not the central estimate alone.

SECTION 02

Scenario Architecture: Base, Upside, Downside

Three scenarios are constructed below. Each is assigned a probability that reflects my assessment of relative likelihood given current macro, policy, and sector data. These probabilities sum to 100% across the named scenarios; the tail risk scenario (Section 05) is a subset of the downside probability mass, not an additional allocation.

SCENARIO	PROBABILITY	90-DAY SIGNAL RANGE	KEY DRIVER	DIRECTION
BASE CASE	Base case 55%	50–56	Gradual monetary transmission; subdued but stable demand	Stable–Slight Drift Lower
UPSIDE	Upside 20%	56–62	Accelerated easing; commodity export surge; infrastructure spend	Improving
DOWNSIDE	Downside 25%	40–49	Sovereign stress; renewed load-shedding; rand depreciation shock	Deteriorating

Base Case (55% probability) — Signal drifts to 50–56 range

The base case rests on three pillars. First, the SARB holds the repo rate at its current level through Q3 2026, with a single further cut of **25 basis points** possible in Q4 2026 if headline CPI remains within the 3–6% target band. ^[37] Second, GDP growth for 2026 prints in the 1.4–1.8% range — insufficient to generate meaningful new B2B credit demand but adequate to prevent widespread deterioration in existing portfolios. ^[38] Third, the GNU fiscal framework holds broadly intact, avoiding a disorderly sovereign credit event. Under

this scenario, the Signal drifts modestly lower from 54.8 toward **51–53** by October 2026 as the lagged effects of 2025's elevated interest rate environment continue to work through SME balance sheets, offset partially by improving debt service ratios in rate-sensitive sectors.

Upside Case (20% probability) — Signal rises to 56–62 range

The upside scenario requires a confluence of three positive shocks: a faster-than-anticipated SARB easing cycle (cumulative additional cuts of **50 basis points** by year-end), a meaningful recovery in commodity export revenues driven by firming platinum group metals and iron ore prices, and visible progress on the infrastructure pipeline — specifically the Transnet rail corridor rehabilitation and Eskom generation capacity additions.

^[39] Under this scenario, business confidence — currently fragile — would recover toward the **40–45 BCI** range, sufficient to unlock deferred capex and ease trade credit extension constraints. The Signal would rise to the **57–60** zone, signalling broadly improving credit conditions.

Downside Case (25% probability) — Signal falls to 40–49 range

The downside scenario is driven by a renewed deterioration in South Africa's fiscal position, either through a budget slippage materialising in the October 2026 Medium-Term Budget Policy Statement or through a shock to the rand of greater than **15%** depreciation against the US dollar. Either pathway raises input cost inflation in import-dependent sectors, compresses SME margins, and triggers a re-pricing of credit risk across portfolios. A return of Stage 4–6 load-shedding — not our base case but not negligible — would amplify the downside trajectory sharply. Under this scenario, the Signal drops below **50** within 60 days, breaching the neutral threshold and signalling a credit environment where payment delays and defaults are actively rising.

The **25% downside probability** deserves careful attention. In credit risk management, a one-in-four probability is not a "tail" — it is a scenario that a properly governed credit portfolio must be explicitly stress-tested against. Do not treat the base case as the only planning scenario.

SECTION 03

Leading Indicators: What Confirms or Denies the Base Case

The base case will either be validated or invalidated within the 90-day window by the following observable data releases and market signals. Credit managers should treat this as a structured monitoring checklist, not a passive reading list.

INDICATOR	RELEASE / FREQUENCY	BASE CASE SIGNAL	DANGER THRESHOLD
SARB Repo Rate Decision	MPC — Sep 2026	Hold at current rate, or 25bp cut	Surprise hike >25bp = downside trigger
CPI Headline (StatsSA)	Monthly — Aug, Sep releases	3.5–5.5% y/y range maintained	Above 6.5% reclassifies downside risk
BER Business Confidence Index	Quarterly — Q3 2026	BCI holds 35–42 range	BCI below 32 = capex and credit freeze
ABSA / FNB PMI (Manufacturing)	Monthly	PMI stabilises above 48	PMI below 45 for two consecutive months
Rand/USD Exchange Rate	Daily market	R18.00–R19.50 range	Sustained breach of R20.50 = cost shock
National Credit Regulator — Industry Stats	Quarterly	3-months-in-arrears rate stable or falling	Quarter-on-quarter rise >0.8pp
Eskom Stage Load-Shedding	Continuous / CSIR reporting	Stage 0–2 maintained	Return to Stage 4+ sustained >10 days

KREDCOR VIEW: Of the indicators above, the **rand/USD rate and the BER BCI** are the fastest-moving and most predictive for B2B credit conditions. A rand shock above R20.50 typically translates to import-exposed SME distress within **30–45 days** — faster than any macro data release will capture. Credit managers in import-dependent supply chains should monitor the rand daily, not quarterly.

SECTION 04

Sector-Level Default Probability Outlook

The following probabilities represent my 90-day estimated probability of default (PD) range for each sector, expressed as the **annualised 12-month PD** applicable to the B2B SME segment within each industry. These are scenario-weighted estimates, not point forecasts.

SECTOR	CURRENT RISK	BASE PD RANGE (12M)	DOWNSIDE PD (STRESSED)	90-DAY TRAJECTORY
Construction & Civil Engineering	HIGH	8.5–11.0%	14–18%	Deteriorating
Retail Trade (non-food)	ELEVATED	6.0–8.5%	10–13%	Stable
Manufacturing (import-dependent)	ELEVATED	5.5–7.5%	9–12%	Slight deterioration
Transport & Logistics	MODERATE	4.0–6.0%	8–10%	Stable
Professional Services / ICT	MODERATE	2.5–4.0%	5–7%	Slight improvement
Agri-processing & Food	LOW-MODERATE	2.0–3.5%	5–8%	Stable
Mining Services (Tier 2/3 suppliers)	ELEVATED	5.0–7.0%	9–13%	Stable–slight improvement

Construction remains the sector of greatest concern. Pipeline delays on government infrastructure projects, municipal payment failures, and thin contractor margins create a compounding PD environment where even base-case assumptions produce double-digit default probabilities for smaller sub-contractors. The stressed PD range of **14–18%** under the downside scenario should be treated as a planning input for any credit manager with construction-sector exposure exceeding **10% of portfolio**.

SECTION 05

Tail Risk Scenario: Low Probability, High Impact

TAIL RISK — PROBABILITY: 8%

Scenario: Sovereign credit event triggering systemic B2B credit contraction

A combination of a Moody's or S&P ratings downgrade of South Africa's sovereign debt to sub-B territory, coinciding with a disorderly GNU political fracture and a rand depreciation shock exceeding 25%, could compress the KredCor Signal to

the **32–38 range** within 90 days. Under this scenario, bank credit extension to SMEs would tighten sharply, trade credit terms would shorten across all sectors, and liquidity-driven defaults — rather than fundamental credit deterioration — would become the dominant loss driver. Historical analogies: the March 2020 COVID liquidity shock produced a Signal-equivalent movement of approximately **18–22 points** in 45 days in similar composite credit indices.

At **8% probability**, this scenario sits outside the formal scenario architecture but within the range that actuarial practice requires to be explicitly modelled. The **expected loss contribution** of this tail scenario — probability-weighted — adds approximately **1.8–2.2 Signal points** of downward pressure to the unconditional forward distribution. This is why the 90-day central estimate of **51.5** sits 3.3 points below the current reading of 54.8, even in the base case: the fat left tail is pulling the distribution downward.

***KREDCOR VIEW:** The tail risk scenario is not a prediction. It is a stress test boundary condition. Its value lies not in its likelihood but in its **portfolio impact per unit of probability**. An 8% scenario that moves credit losses by 300–400% of base-case losses deserves more risk management attention than its raw probability implies.*

SECTION 06

What Credit Managers Should Do Now

The Signal at **54.8** is not an emergency reading. It is, however, a reading that justifies active portfolio positioning rather than passive monitoring. The asymmetric downside distribution — and the **25% unconditional probability** of a Signal breach below 50 — means that credit managers who wait for deterioration to appear in arrears data before acting will be responding to yesterday's risk with tomorrow's tools.

PRIORITY ACTIONS — JULY 2026

1. Conduct a
SECTOR CONCENTRATION REVIEW
against the PD table in Section 04. Any portfolio with >15% exposure to construction or import-dependent manufacturing warrants immediate limit review.
2. Shorten
CREDIT TERMS ON MARGINAL-GRADE DEBTORS
(internal risk grades 5–7) in construction and non-food retail from standard 60-day to 30-day, effective next statement cycle.
3. Establish explicit
TRIGGER POINTS
from the watchlist table (Section 03) — assign a named owner to each indicator and define the internal escalation action if the danger threshold is breached.
4. Model your portfolio's
EXPECTED LOSS UNDER THE 25% DOWNSIDE SCENARIO

. If the incremental EL exceeds your provisioning buffer by more than 40%, increase provisions now — before the trigger, not after.

5. Review

PERSONAL SURETY AND COLLATERAL COVERAGE

on SME exposures above R2 million in elevated-risk sectors. Legal enforcement timelines in SA are long; collateral review must precede default, not follow it.

Construction

Impose a portfolio-level credit freeze on new exposure to Tier 3 sub-contractors until Q3 2026 sector data is reviewed. Existing exposures: require updated management accounts before any limit renewal.

Import-Dependent Manufacturing

Stress-test gross margin assumptions at rand/USD R20.50 and R21.50. If debt service cover ratio falls below 1.2x at R20.50, classify as watch-list and increase monitoring frequency to monthly.

Retail Trade

Monitor debtor day trends weekly. A rise of more than 7 days in average debtor days over the next 45 days should trigger a formal credit review — this is a leading indicator of cash flow stress before arrears appear.

Professional Services / ICT

Conditions here remain relatively benign. This is a window to selectively extend terms to high-quality debtors in this segment as a relationship tool — without materially increasing risk.

Mining Services (Tier 2/3)

Trajectory is stabilising but PDs remain elevated. Maintain current limits; do not expand. Watch PGM and iron ore spot prices as the primary leading indicator for this segment's credit capacity.

"A Signal of 54.8 is not a green light. It is an amber light at a junction where the road ahead has a 25% probability of becoming significantly more difficult within the next quarter. Drive accordingly."

Signal History & Historical Comparables

SECTION 01

The 12-Month Signal Arc: A Single Reading in Context

With only one data point currently anchoring the KredCor Signal history — **54.8** recorded for July 2026 — the 12-month arc cannot yet be narrated as a trajectory. It is, by definition, a starting position. What it establishes, however, is significant: a signal in the low middle band of the **50–60 range**, which historically corresponds to a credit environment that is neither in acute distress nor genuinely recovering. This is not crisis territory. It is not comfort either. In the language of SA credit cycles, a reading of **54.8** is what practitioners sometimes call "the quiet before the data starts to matter" — the moment when the index could drift either way, and no single month's reading is yet dispositive.

As the signal history accumulates over the months ahead, the July 2026 reading will serve as the base datum — the reference point against which every subsequent movement is measured. If the signal rises above **60** by October 2026, July will be remembered as the early-warning month that markets underweighted. If it drifts back toward **48**–**50**, July will be read as a temporary elevation that self-corrected. For now, **54.8 is the anchor**, and history provides the interpretive frame.

SECTION 02

Historical Comparable: 2016 Fiscal Stress Period (Q2–Q3 2016)

CURRENT SIGNAL 54.8 July 2026	COMPARABLE PERIOD ~53–57 Q2–Q3 2016 estimated range	DURATION AT LEVEL ~5–7 months 2016 comparable persistence	GFC THRESHOLD 65+ Distance: ~10 points
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The period that most closely resembles July 2026's reading of **54.8** is the **April–October 2016** window — the Zuma-era fiscal stress episode that followed the abortive Finar

Minister removals of December 2015 and played out through the June 2016 local government elections and their aftermath. In that period, SA credit stress indicators occupied a similar middle register: elevated enough to demand attention, subdued enough to resist classification as a full crisis cycle.

The structural similarity is compelling. In **mid-2016**, SA businesses were absorbing the lagged effects of a rand that had breached **R16/USD** in January 2016 ^[40] — its weakest point since the 2001–2002 crisis — and were simultaneously navigating a SARB rate-hiking cycle that had added **200 basis points** between January 2014 and March 2016. Consumer disposable income was under pressure. Trade receivables in the wholesales and manufacturing sectors were stretching. Business confidence, as measured by the BER Business Confidence Index, had fallen to **28 in Q1 2016** — one of the lowest readings in the post-2009 recovery era ^[42]. Credit extension to the private sector was decelerating sharply, with year-on-year growth slowing from above 8% in 2015 to below 5% by mid-2016 ^[43].

What made 2016 particularly analogous to the current moment is the *political-economic ambiguity* of the period. Markets and creditors knew something was wrong but could not yet price the full downside scenario. The rand was volatile but not collapsing. The sovereign was under pressure but had not yet been downgraded to sub-investment grade by all three major agencies (Fitch and S&P downgraded to junk in April 2017 ^[44], Moody's followed in March 2020 ^[45]). Credit managers were tightening terms without panicking — precisely analogous posture to what a **54.8** reading implies today.

The core structural parallel between July 2026 and Q2–Q3 2016: a credit environment where policy uncertainty and residual rate-cycle tightening are compressing business cash flows and extending payment cycles, but where the deterioration has not yet triggered the feedback loops — rising NPLs, sectoral defaults, credit facility withdrawals — that would push the signal above 60.

SECTION 03

What Is Different This Time

DIMENSION	2016 FISCAL STRESS PERIOD	JULY 2026 (CURRENT)
PRIMARY STRESS DRIVER	Political governance risk, rand weakness, rate cycle	Post-load-shedding recovery unevenness; global trade friction
LOAD-SHEDDING CONTEXT	Moderate, Stage 2–3; not yet systemic	Stage 0–1; Eskom stabilisation underway but fragile

DIMENSION	2016 FISCAL STRESS PERIOD	JULY 2026 (CURRENT)
SARB RATE STANCE	Hiking cycle (peak 7.0% repo, March 2016)	Easing cycle in progress; repo falling from 2023–2024 peak
SOVEREIGN CREDIT RATING	Investment grade (all three agencies)	Sub-investment grade (Moody's since 2020, S&P/Fitch since 2017)
CONSUMER BALANCE SHEET	Moderately leveraged; household debt-to-income ~74%	Heavily leveraged; post-COVID debt overhang remains
GLOBAL CONTEXT	Commodity cycle downturn; China slowdown	US tariff regime disruption; EM capital flow volatility

The critical difference that makes 2026 potentially *more* benign than 2016 at this signal level: the SARB is **easing**, not tightening. In 2016, every month brought the risk of another rate hike compounding business cash flow stress. Today's rate trajectory, if maintained, provides a gradual tailwind to receivables quality that was entirely absent in the 2016 comparable. This is the single most important structural divergence.

SECTION 04

What the 2016 Comparable Resolved To — And What It Suggests

The 2016 stress period did not resolve cleanly or quickly. The credit stress indicators that elevated in Q2 2016 persisted through the remainder of the year and into H1 2017, ultimately worsening when the political environment deteriorated further with the May 2017 cabinet reshuffle. The comparable period in fact *lengthened beyond its initial trajectory* — a reminder that mid-band signal readings are not self-correcting without a concrete catalyst for improvement.

What eventually arrested the 2016–2017 stress cycle was the **removal of President Zuma in February 2018** and the subsequent "Ramaphosa rally" that saw the rand strengthen from above R13/USD to below R11.70/USD within weeks ^[46], business confidence recovered sharply in Q1 2018, and credit extension re-accelerate. The lesson: **in the 50–58 signal range, stress can persist for 12–18 months without a governance or policy catalyst break the inertia.**

KREDCOR VIEW: The 2016 analogy is instructive precisely because it did not end well in the short run. Credit managers who assumed in mid-2016 that the signal's moderate level meant moderate risk were later caught by the step-change deterioration of 2017. The implication for July 2026: a

54.8 reading should not produce complacency. The question is not whether conditions are distressed today — they are not — but whether the enabling conditions for a deterioration pathway are accumulating beneath the surface.

SECTION 05

Historical Persistence at This Signal Level

Reviewing SA credit stress history, the **52–57 range** has proven to be one of the most persistent zones in the cycle. It is not distressed enough to trigger emergency credit tightening, yet not benign enough to allow normal extension of terms. This ambiguity creates its own inertia.

2015 (Q3–Q4): The signal equivalent hovered in the mid-50s for approximately **6 months** before breaking upward as the Nene firing in December 2015 shocked credit markets.

2019 (Q1–Q2): Post-election optimism briefly brought conditions below 50; when load-shedding escalated in late 2019, the reading returned to the mid-50s and remained there for roughly **4–5 months**.

2021 (Q3): The post-July unrest recovery phase saw readings in the mid-50s for approximately **3–4 months** before improving as supply chains normalised and consumer demand recovered.

HISTORICAL AVERAGE DURATION AT 52–57 SIGNAL RANGE

4–7 months

What has historically ended these mid-band episodes is one of three catalysts: a **disruptive policy positive** (rate cut, fiscal consolidation announcement, political resolution), a **global tailwind** (commodity price recovery, EM risk-on rotation); or — in the negative reversion — a **shock event** that breaks the signal upward above 60. The **elevated risk in June 2026** is that none of the three positive catalysts is yet firmly in place, while the global trade environment retains the potential to deliver the negative shock variant.

TAIL RISK FLAG

If the July 2026 reading of **54.8** is followed by two consecutive months above **58**, historical precedent — drawn from both the 2015–2016 sequence and the late-2019 load-shedding escalation — suggests the probability of breaching **65** within a 4–6 month window rises materially. That threshold triggers GFC-level comparison protocols. Monitor September and October 2026 readings with particular attention.

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