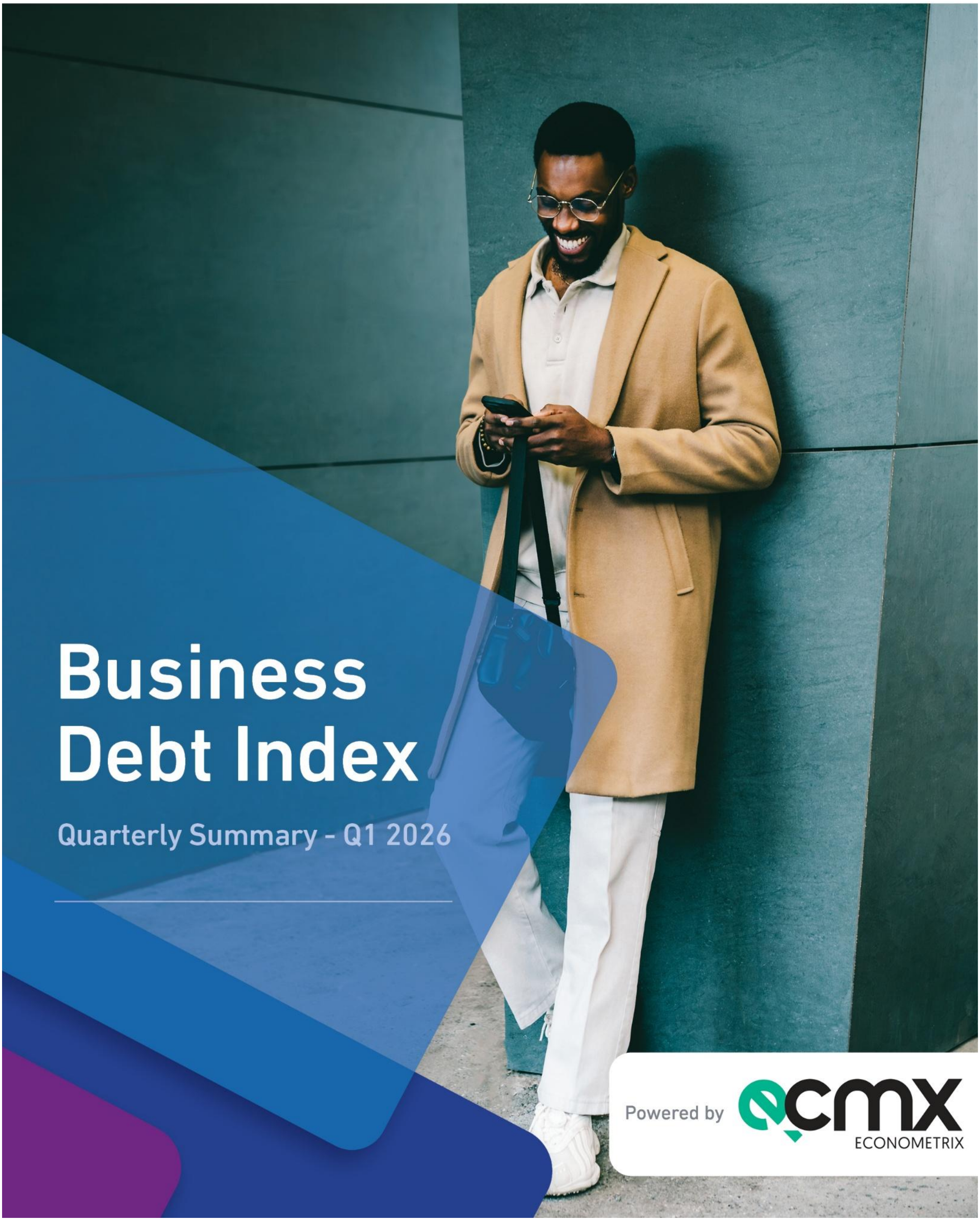


Business Debt Index

Quarterly Summary - Q1 2026

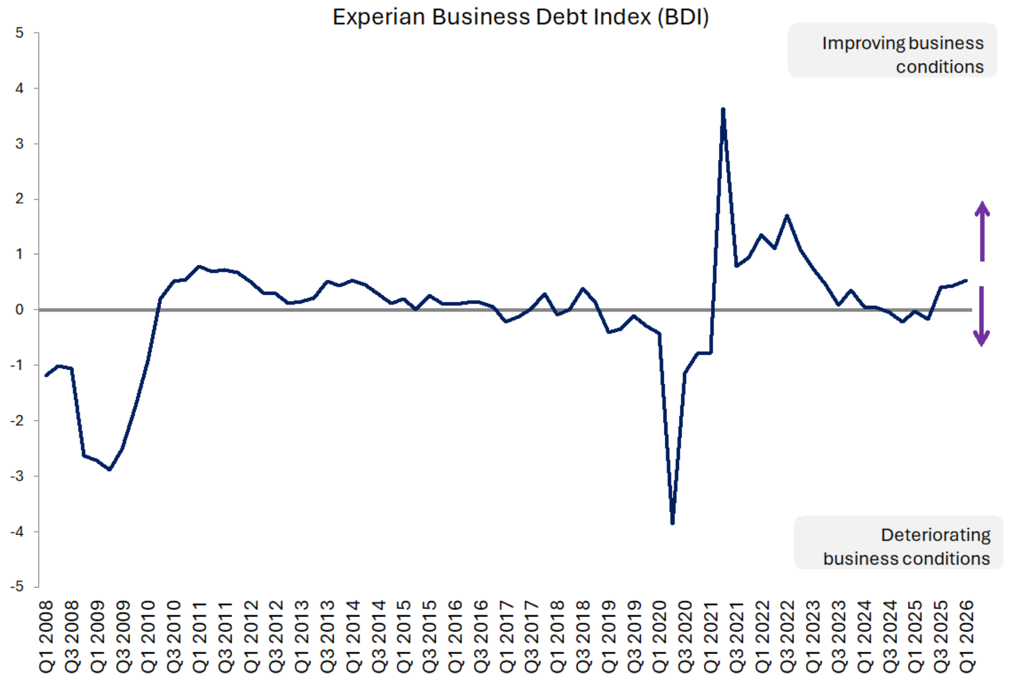
Powered by ECMX ECONOMETRIX

EXPERIAN BUSINESS DEBT INDEX (BDI) RESULTS FOR Q1 2026

Positive Experian BDI Reading Signals Improving Business Debt Conditions

The Experian Business Debt Index (BDI) rose further in Q1 to 0.53, from a downwardly revised 0.44 in Q4. The BDI has now remained in positive territory for four consecutive quarters, indicating a gradual improvement in business debt conditions.

According to our latest forecasts, this positive trend is expected to continue in Q2, with the BDI projected at 0.50, only marginally lower than the Q1 reading of 0.53.



Index	Q1 2025*	Q2 2025*	Q3 2025*	Q4 2025*	Q1 2026
>0= Improving business conditions <0 = Deteriorating business conditions	-0,02	-0,15	0,41	0,44	0,53

** Revised*

Macroeconomic factors influencing Q1 2026

There has been a gradual improvement in perceptions about the South African economy since the formation of the Government of National Unity (GNU) in June 2024.

Fiscal policy has been seen to become more responsible, with the government deliberately not pandering to the wishes of those eager to implement populist policies. This has gone hand in hand with a diminution of inflationary pressures, in part linked to subdued oil prices and in part due to a firming of the Rand linked to the more favourably perceived fiscal stance.

Reduced inflation, in turn, facilitated a cumulative 1.5% reduction in key interest rates, helping drive up consumer spending, especially on durable goods.

Unfortunately, the perceived improvement in economic conditions has not been matched by any upturn in gross fixed capital formation (GFCF). GFCF is critical to improve the infrastructural capital base if the sustainable growth rate of the economy is to be uplifted. Instead, the pattern of deindustrialisation of the South African economy has persisted.

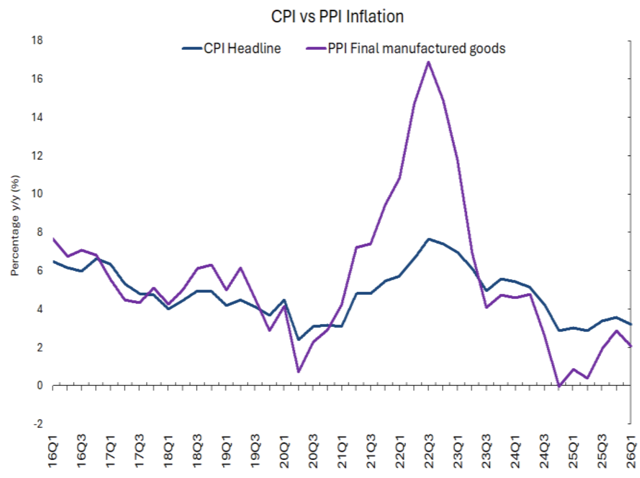
Consequently, the actual improvement in GDP growth has been very modest. Even though GDP growth has remained positive for eight consecutive quarters, the economy has remained mired in a long-term 1% to 2.0% growth trajectory.

It has been unable to grow faster than the growing population and has been insufficient to keep pace with the number of entrants into the job market. Not surprisingly, the unemployment rate has remained perennially high.

Q1 was specifically characterised by the start of the US-Iran war, which saw oil prices surge by over 50% at one point. However, only the month of March captured these wartime influences.

Consequently, the impact of sharply higher fuel prices from April to June would not yet have been decisive in eroding disposable income during that quarter. Such influences were relevant really only to Q2.

In the event, a mix of factors caused the BDI to improve modestly in Q1 of this year compared with Q4 of 2025. By far the most dramatic change was the widening of the **differential between the PPI and CPI** inflation rates. This expanded significantly to 3.42% in Q1, up from -1.13% in Q4.

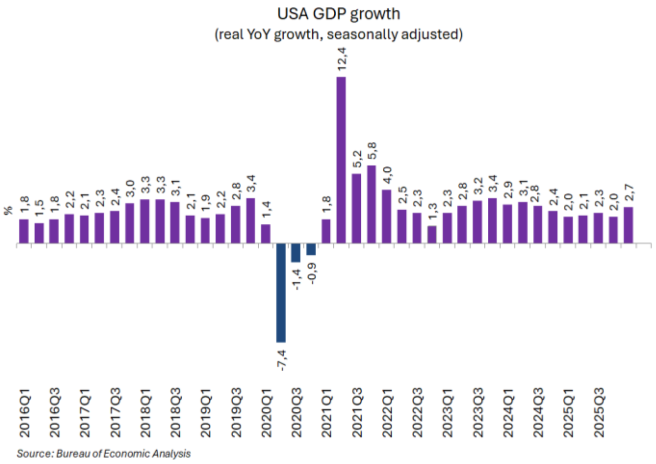


Source: StatsSA

The differential is perceived to represent a proxy for corporate profit margins. When producers can increase prices much more rapidly than consumers, this tends to increase their profit margins and therefore enables them to repay debts more readily. In this particular instance, the change was fairly dramatic.

It is clear that many producers have climbed on the bandwagon of higher oil prices and related input costs, passing them on to consumers and leaving themselves with attractive margin expansion.

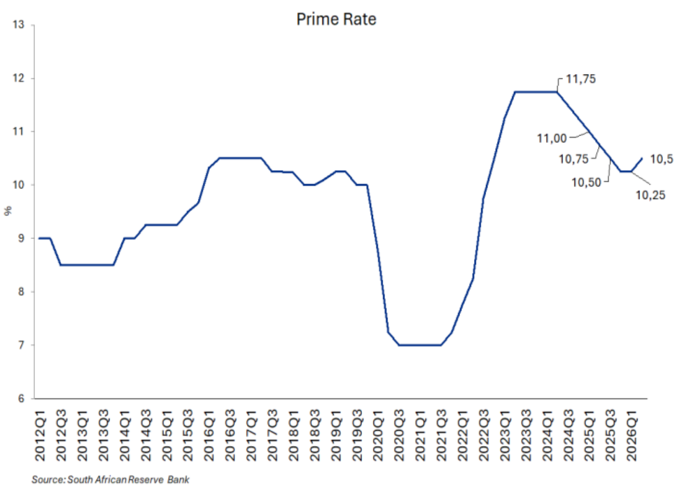
The BDI also gained from a more favourable **US GDP outcome**, used as a proxy for global economic growth. This saw a modest improvement to 2.7% in Q1, from 2.0% in Q4.



A further slight boost to the BDI came from an expansion of the **differential between short- and long-term interest rates** in South Africa. The differential increased to 0.29% in Q1 from 0.07% in the preceding quarter.

The steepening of the domestic yield curve is seen as positive, as a more rapid rise in longer-term interest rates than in short-term rates is associated with perceptions of an improvement in longer-term economic growth potential.

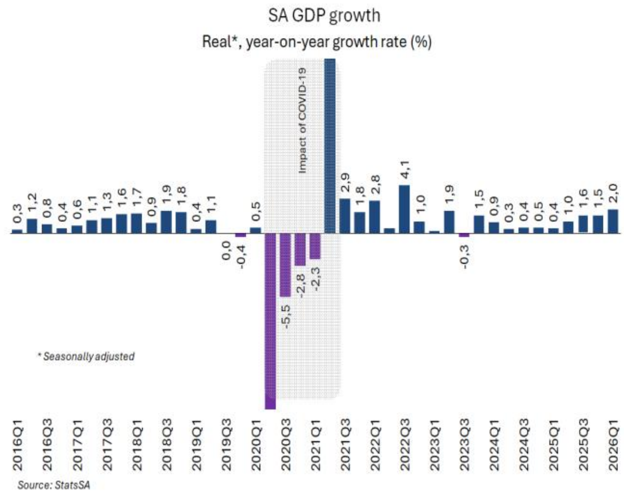
Alternatively, the steepening yield curve can be seen as reflecting less constraint on short-term growth, since it involves a smaller increase in short-term than in long-term interest rates.



Against these factors that helped boost the BDI, two inputs worked to limit the improvement.

- There was only a fairly modest improvement in **domestic GDP** y-o-y growth from 1.5% in Q4 to 2.0% in Q1.

  In itself, on a demeaned basis as required in the calculation of the BDI, this was insufficient of an improvement on its own to generate upward pressure on the BDI.

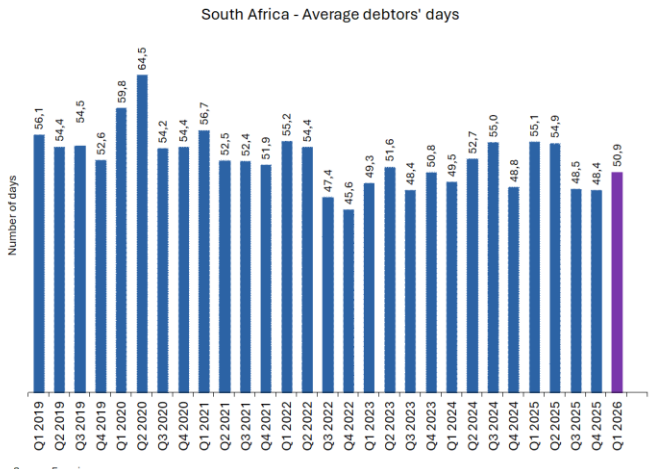


- Secondly, there was a modest expansion from 2.98% in Q4 of 2025 to 3.11% in Q1 in the **differential between the domestic policy rate and the Fed Funds rate**. This implies that, relatively speaking, the cost of funding business operations from abroad has increased, making it more likely that businesses will delay repayment of domestic debt for as long as possible.

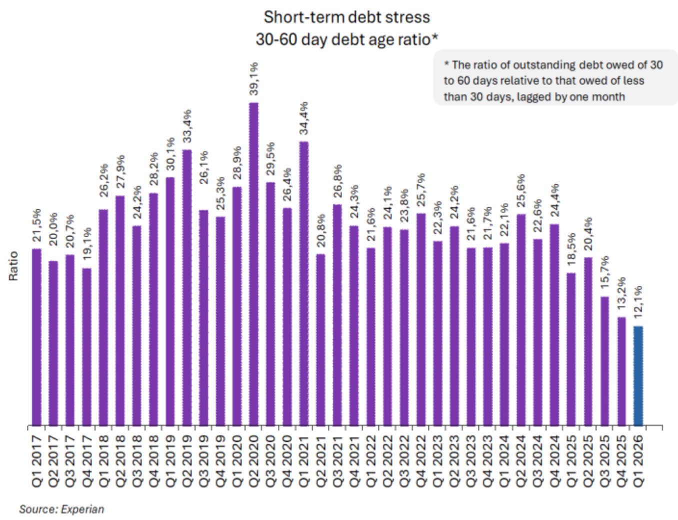
Business debt metrics in Q1 2026

The impact of Experian data on **outstanding debtors' days** is far less pronounced in Q1 than it was in Q4 of 2025. In part, that was because the initial take on these outstanding debtors for Q4 was much more pronounced than the figures that have just been revised.

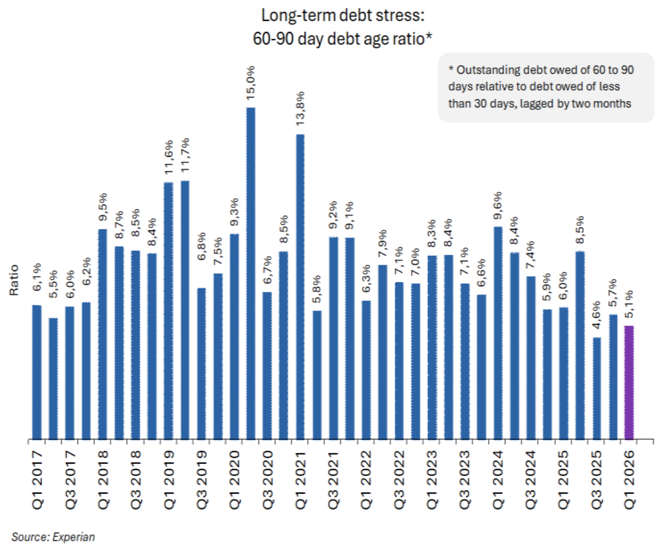
In fact, the average number of outstanding debtors' days is now shown to have decreased only marginally in Q4 of 2025 compared with Q3, to 48.4 from 48.5. In Q1, this rose to 50.9.



However, the actual ratios used to calculate the BDI showed some improvement in Q1. **30-to 60-day debt stress ratio**[1] decreased from 13.2% in Q4 to 12.1% in Q1.



Similarly, **60- to 90-day debt stress ratio**[2] declined from 5.7% to 5.1%.



As a result, there was a positive impulse on the BDI from Experian data on outstanding debtors' days. In Q1, prior to the outbreak of the Iran war, there was still optimism that interest rates might fall further, which might have encouraged companies to reduce their outstanding debt more readily.

These improvements in the willingness of businesses to pay off their outstanding debts more readily appear to be a function of the decline in interest rates and the associated decline in the opportunity cost of holding on to money to enhance interest income.

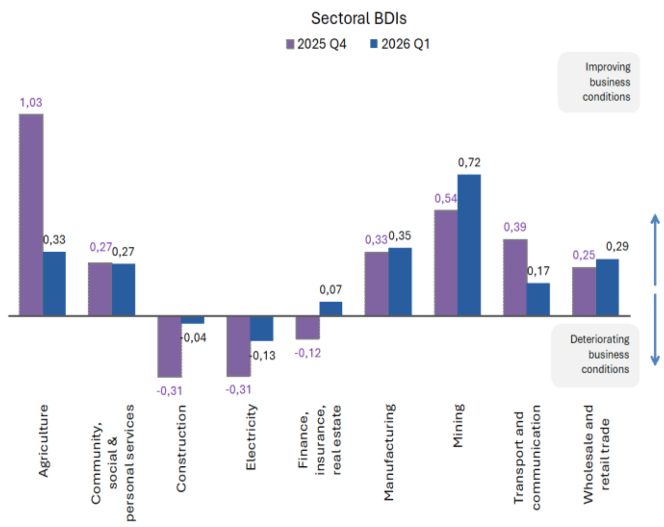
There has also been a concerted increase in pressure from authorities to encourage debtors to pay off loans for projects completed by businesses hired to do so.

[1] *The ratio of outstanding debt owed of 30 to 60 days relative to that owed of less than 30 days, lagged by one month*

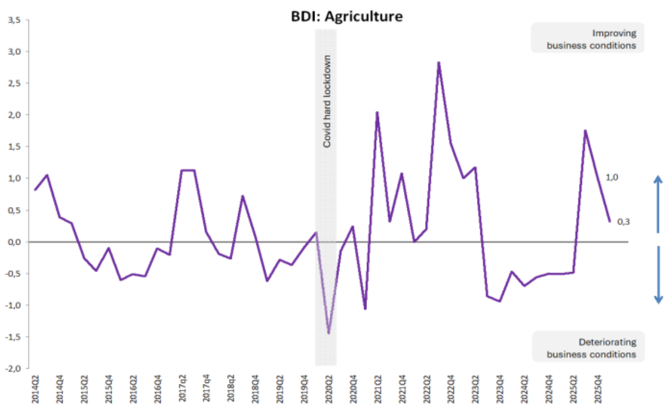
[2] *The ratio of outstanding debt owed of 60 to 90 days relative to debt owed of less than 30 days, lagged by two months*

BDI by sector

The sectoral breakdown of the trends in the BDI in Q1 was fairly mixed.



There was a sharp fall in the BDI for agriculture, basically because the y-o-y growth rate in agricultural GDP fell steeply in Q1 compared with Q4. However, this was more a function of statistical factors than anything else. It was related to the fact that Q3 had witnessed a dramatic improvement in the GDP of agriculture off a very low base of production in previous quarters. It was therefore unreasonable to expect a similar acceleration in Q4 as in Q3.



Conversely, the BDI for mining increased more steeply than for any other sector, largely due to increased activity associated with substantial increases in the prices of minerals extracted in South Africa. This encouraged increased mining output.

The movements in the BDIs of most other sectors were not as substantial. Those of construction and electricity remained negative, indicating further deterioration in financial health in those sectors and heightened deindustrialisation. The resumption of the decline in GFCF was symptomatic of the dearth of infrastructure development in the South African economy.

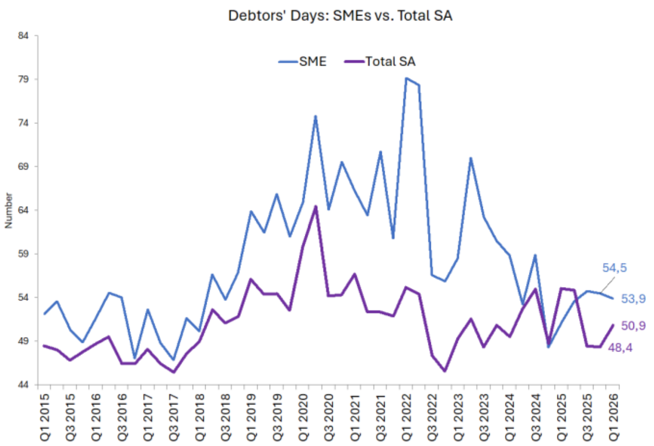
This was also reflected in a fairly significant decline in the BDI for the transport and communication sector. Efforts to enhance the efficiency of logistics rollouts in the country have faced challenges due to the government's and state-owned enterprises' persistent desire to control structural transformation.

This continues despite official attempts to encourage greater involvement and expertise from the private sector. Fortunately, there was an improvement in most other sectors, even if not dramatic.

	2025 Q4	2026 Q1	
Agriculture	1,03	0,33	▼
Mining	0,54	0,72	▲
Electricity	-0,31	-0,13	▲
Manufacturing	0,33	0,35	▲
Transport	0,39	0,17	▼
Retail Trade	0,25	0,29	▲
Community Services	0,27	0,27	▼
Construction	-0,31	-0,04	▲
Finance	-0,12	0,07	▲
Total	**0,44**	**0,53**	▲

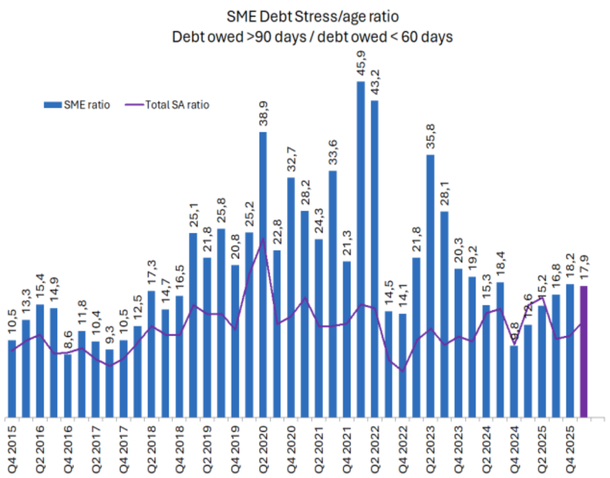
BDI by company size

The number of outstanding debtors' days of SMEs declined marginally in Q1 to 53.9 from 54.5 in Q4 of 2025. This marginal improvement contrasts with the slight deterioration in the similar metric for the overall number of companies analysed, where the number of outstanding debtors' days increased from 48.4 to 50.9.



It is therefore not surprising to see the **SME 60-120+ day debt stress ratio**[3] decline modestly in Q1, to 17.9%, from 18.2% in Q4 of 2025.

It suggests that interest rates are currently fairly neutral, neither encouraging nor discouraging small businesses from paying off their debts or holding on to them for as long as possible.



[3] *The ratio of outstanding debt owed by SMEs of 90 to 120+ days relative to that owed of less than 60 days*

Outlook

Superficially, events since the end of Q1 suggest that one might start to witness some deterioration in business debt conditions. The enormous jump in oil prices following the outbreak of the Iran war is set to generate a knock-on series of inflationary impulses globally and domestically.

The result has been upward pressure on interest rates compared with what had been expected earlier in the year. Of course, oil prices have fallen back sharply to levels that prevailed prior to the outbreak of the Iran war.

Even so, some of the inflationary pressures generated by the previous surge in oil prices following the closure of the Straits of Hormuz continue. The extent to which they continue to do so will likely determine the future success of economic outcomes.

In addition, there is a relatively new dynamic engulfing major economies in the form of the development of AI. This is potentially intended to substantially increase productivity, to the extent that it may neutralise the constraints on economic growth imposed by slightly tighter monetary policy and reduced disposable income due to higher inflation.

To some extent, these dynamics are reflected in the latest BDI forecast, which sees the next quarter's BDI falling slightly compared with Q1. There remains considerable uncertainty in the world economy at present, not least of which is the uncertainty related to where the price of oil will finally settle.

There is also a series of other potential shocks linked to the overvaluation of asset prices and excesses in public debt. Under the circumstances, forecasting the BDI at present is fraught with speculation.

Explanatory notes regarding the Experian Business Debt Index

What is the Experian Business Debt Index?

The Experian Business Debt Index (BDI) is an indicator of the overall health of businesses, as well as the South African economy. It measures the relative ability of businesses to pay their outstanding suppliers/creditors (i.e. amounts owed to other businesses) on time and tracks macro-economic indicators that can impact the ability of companies to pay their creditors.

A number of debtors and macro-economic variables are combined into a single indicator of business debt stress. In other words, the BDI is a reflection of the overall health of businesses and the position of debt settlement between businesses in the economy.

How to interpret the index

The Experian BDI, as an indicator of the overall health of businesses, measures the relative ability of businesses to pay their outstanding creditors on time. It also incorporates trends in macroeconomic indicators, insofar as these impact the ability of companies to pay their creditors. The index is constructed around a mean value of zero.

Values above zero indicate less business debt stress, and values below zero indicate business debt stress.

Given the underlying data of the index, relatively higher levels of debt indicate a weakening in the ability to pay outstanding creditors. Higher interest rates result in higher borrowing costs and an increase in business stress. Relatively higher production costs vs consumer costs decrease operating margins of businesses, while higher domestic and international growth could result in a better trading environment for businesses.

Measured by using principal components

The Experian Business Debt Index (BDI) is constructed using principal components analysis. This is similar to the St. Louis Fed's Financial Stress Index (STLFSI) and the Kansas City Fed's FSI (KCFSI) in the USA. The principal components analysis is a statistical method that is used to extract factors responsible for the co-movement of a group of variables. As such, it is assumed that business stress is the primary factor influencing the co-movement, and by extracting the principal components, it is possible to build an index with a useful economic interpretation.

Variables included

The Experian Business Debt Index is made up of Experian business debtors' data and public domain data. Variables include the following:

- 30 – 60 debtor days' ratio (debt compared to the initial amount invoiced 30 days ago);
- 60 – 90 debtor days' ratio (debt compared to the initial amount invoiced 60 days ago);
- South African consumer inflation and producer inflation spread;
- Interest rate spread (Repo vs US Federal Fund rates);
- Interest rate spread (R157 vs Repo);
- Real SA GDP (year-on-year percentage change);
- Real US GDP (year-on-year percentage change).

No provision is made for any leads or lags in any of the variables.

Methodology used to construct the index

The index is constructed by first demeaning the individual indices - subtracting the index value from the index average and dividing it by the sample standard deviation (SD). The indices can now be expressed in the same units. Next, the method of principal components is used to calculate the coefficients of the variables in the EBSI. These coefficients are scaled so that the standard deviation of the index is 1. Lastly, each of the indices is multiplied by its respective adjusted coefficient.

When the index is updated quarterly, the values of the Experian Business Debt Index can change. This can occur either through a change in the coefficients (an updated re-estimation) or because of a change in the actual values of the variables in the sample. Because the data are demeaned and standardised, the value of the original sample will change as the sample mean and sample standard deviation of the underlying variables change.

About Experian

We are the leading global information services company, providing data and analytical tools to our clients around the world. We help businesses to manage credit risk, prevent fraud, target marketing offers and automate decision-making. We also help people to check their credit report and credit score, and protect against identity theft. In 2016, for the third year running, we were named one of the "World's Most Innovative Companies" by Forbes magazine.

We employ approximately 17,000 people in 37 countries, and our corporate headquarters are in Dublin, Ireland, with operational headquarters in Nottingham, UK; California, US; and São Paulo, Brazil.

Experian plc is listed on the London Stock Exchange (EXPN) and is a constituent of the FTSE 100 index. Total revenue for the year ended March 31, 2016, was US$4.6 billion.

To find out more about our company, please visit http://www.experianplc.com or watch our documentary, 'Inside Experian'.

About Econometrix

Econometrix is South Africa's largest independent macro-economic consultancy based in Johannesburg. We are privately owned and, therefore, totally independent of any official organisation or pressure groups. Econometrix – which has a successful track record of more than 45 years - is committed to ongoing research and analysis of economic fundamentals, thereby ensuring a sound basis for future business decisions. These services are provided through a range of complementary products to more than 150 South African and international organisations.

Our approach is to empower our clients with quality decision support intelligence and assistance regarding the economic and financial environment, and assist them in their strategic and financial planning processes. Our in-depth analysis of economic fundamentals aims to assist our clients in commanding the economic environment and identifying opportunities and risks.

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Next release date for the BDI: Sep 2026

For more detailed analysis on the debt stress by sector, Experian publishes the *Business Debt Sectoral Overview* report, please contact Taryn Stanojevic at Experian for more information.