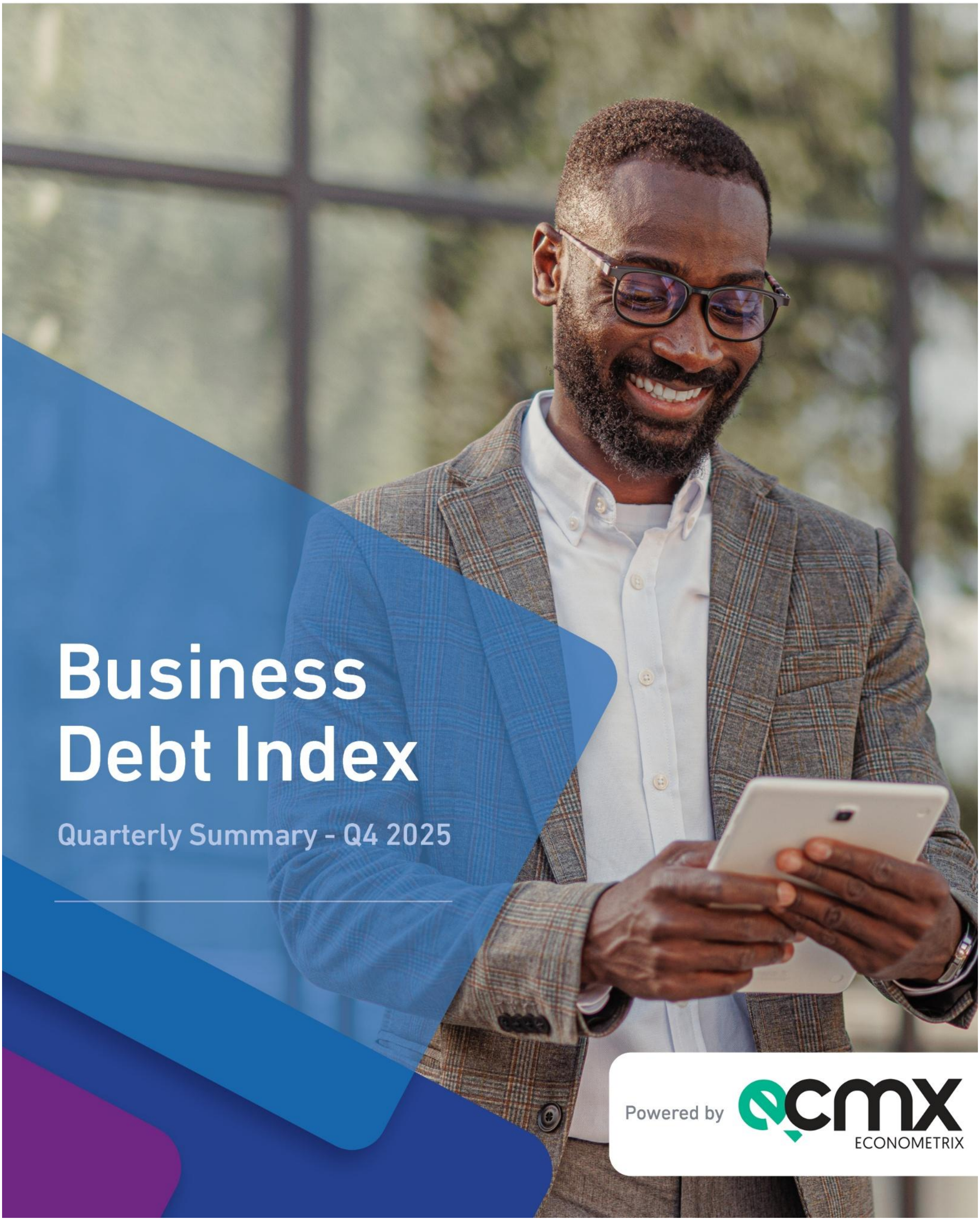

Business Debt Index

Quarterly Summary - Q4 2025

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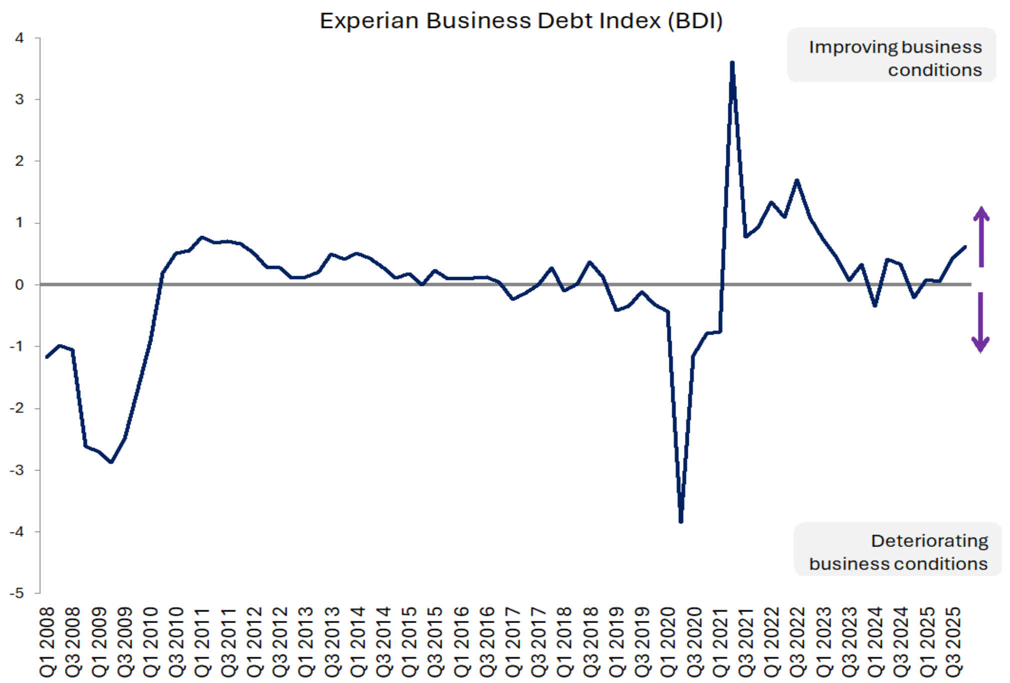
EXPERIAN BUSINESS DEBT INDEX (BDI) RESULTS FOR Q4 2025

Positive reading in the Experian BDI for Q4 points to improved debt conditions for businesses

The Experian Business Debt Index (BDI) rose for the third consecutive quarter in Q4 of 2025, to a reading of 0.62, up from 0.42 in Q3 and 0.06 in Q2.

The Q4 reading was the fourth consecutive positive BDI reading, suggesting that business debt conditions through 2025 continued to show some improvement.



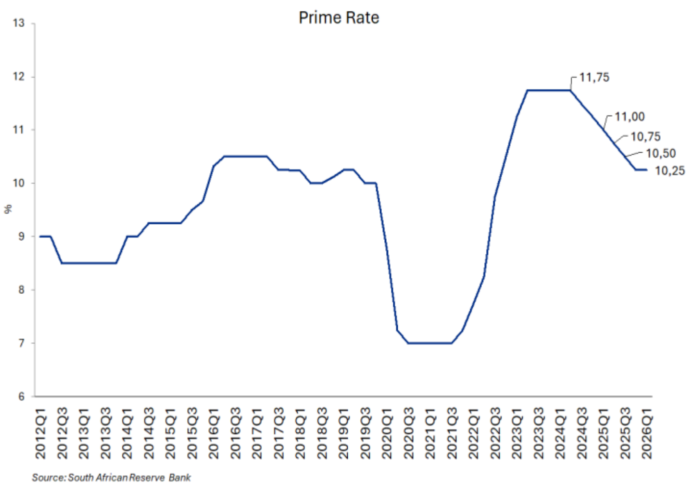
Index	Q4 2024*	Q1 2025*	Q2 2025*	Q3 2025*	Q4 2025
>0= Improving business conditions <0 = Deteriorating business conditions	-0,20	0,09	0,06	0,42	0,62

** Revised*

Macroeconomic factors influencing Q4 2025

On the face of it, the improvement in the Q4 BDI was not a surprising outcome, given that the South African economy recorded a gradual improvement in growth and business and consumer confidence also saw improvements according to well-respected surveys.

Undoubtedly, a supportive factor for expecting some improvement is that interest rates declined by 1.5% between mid-2024 and Q4 2025, and this was linked to a meaningful decline in inflation over that period, from a peak of 7.8% in 2022 to around 3.0% in 2025. This assisted in boosting disposable income.



In addition, encouragement was drawn from the perceived increase in fiscal discipline under a Government of National Unity formed in mid-2024, which, in turn, contributed to South Africa's first credit rating upgrade in 16 years during Q4.

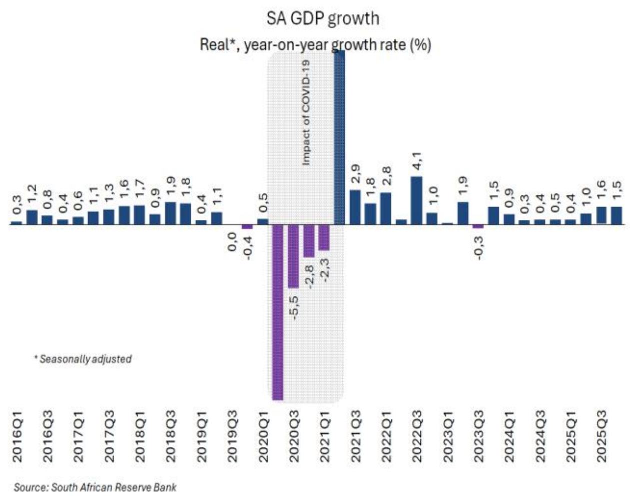
Sentiment was also helped by South Africa's removal from the Financial Action Task Force's grey list for vulnerability to money laundering.

An underlying factor that had also helped sentiment was the recognition that certain structural reforms in the energy, transport, and logistics sectors, inspired by the work of the presidential task force known as Operation Vulindlela, were starting to bear fruit.

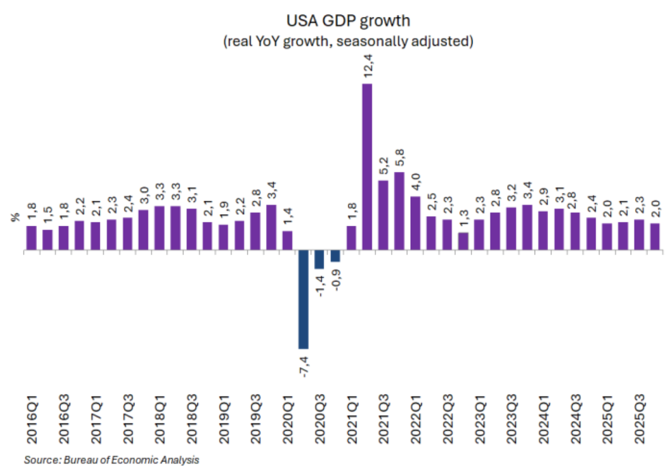
The country had not seen a revival of load-shedding for more than a year, whilst freight transport by rail has also shown signs of picking up, providing additional growth impetus at the margin.

Nonetheless, perusal of the components that make up the BDI suggests that it was not so much macroeconomic factors that contributed to the improvement in the BDI in Q4 as the Experian data on outstanding debtors' days.

Growth in South Africa's GDP in Q4 (1.5%) was barely changed on a YoY basis from Q3 (1.6%).



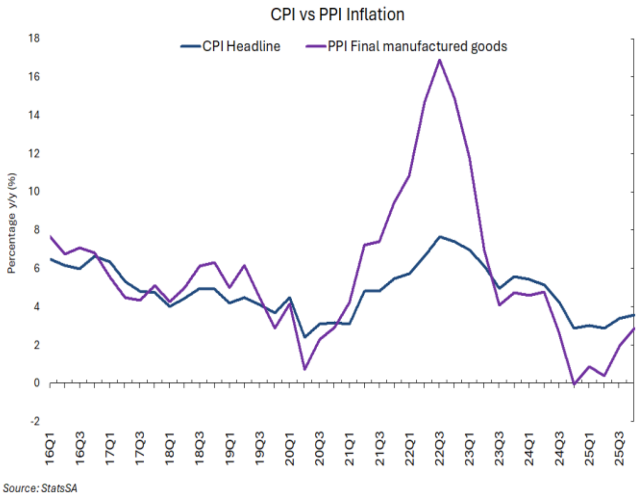
US GDP YoY growth was, in fact, lower in Q4 (2.0%) than in Q3 (2.3%).



The difference between the South African repo rate and the US Fed Funds rate, a proxy for international borrowing costs, was in fact up.

There was also no change in the differential between shorter and long-term interest rates domestically.

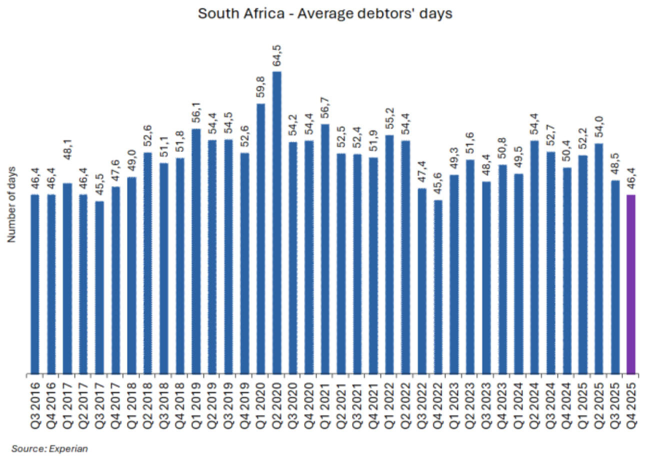
The only area where there was a noticeable macroeconomic improvement was the PPI inflation rate rising relative to the CPI inflation rate, which we interpret as indicative of improved company profit margins.



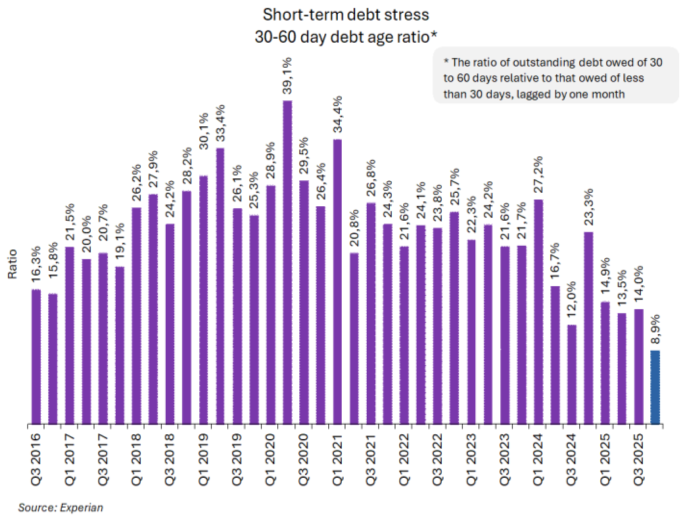
Business debt metrics in Q4 2025

Where the BDI benefited considerably was the decline in outstanding debtors' days, particularly in the ratios used in its calculation.

Overall, outstanding debtors' days declined to 46.4 in Q4, from 48.5 in Q3, and was, in fact, the lowest such number in three years and the second lowest in the past eight years.

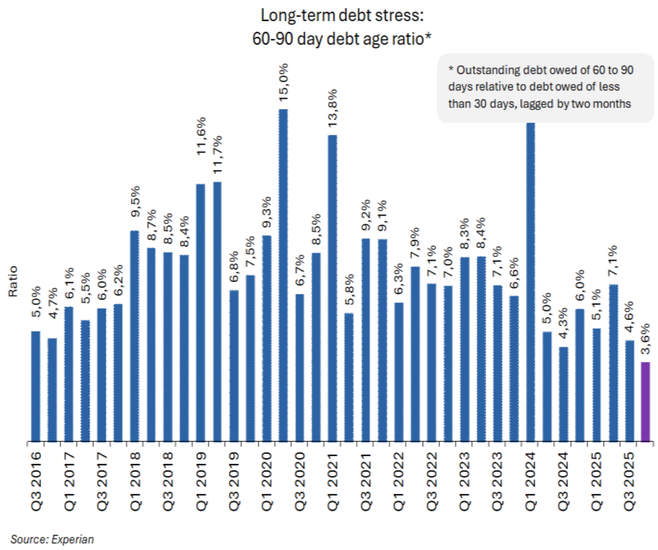


More especially relevant to the improvement in the Q4 2025 BDI was the fact **30-to 60-day debt stress ratio**[1] fell sharply to 8.9% in Q4, from 14.0% in Q3. It was, in fact, the lowest such ratio since the BDI was launched in 2016 and was a fraction of the 39.1% corresponding ratio recorded at the height of the Covid pandemic.



[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*

Similarly, the other key ratio used in the calculation of the BDI, viz., **60- to 90-day debt stress ratio**[2], fell to 3.6% in Q4, from 4.8% in Q3.



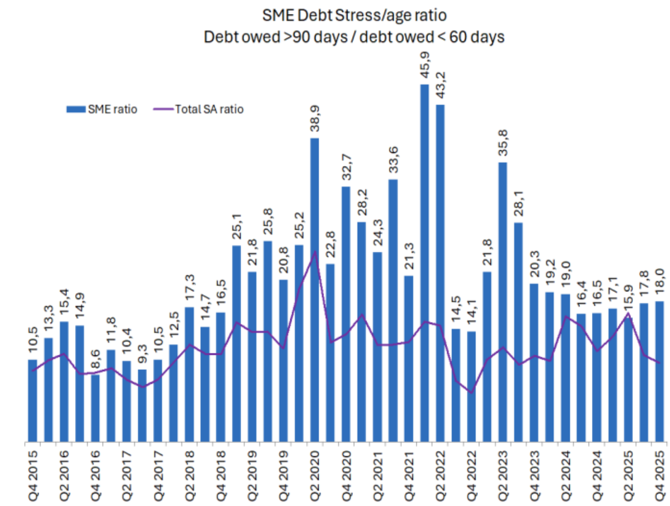
These improvements in the willingness of businesses to pay off their outstanding debts more readily appear to be a function of the decline in interest rates and the associated decline in the opportunity cost of holding on to money to enhance interest income.

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.

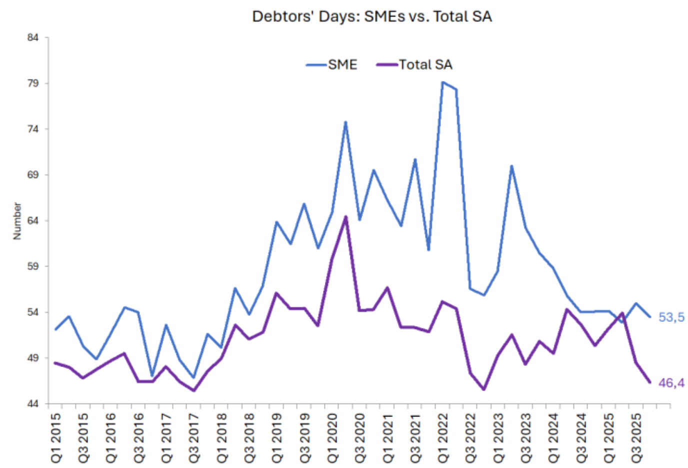
BDI by company size

One is perplexed to see that the improvement in outstanding debtors' days did not apply to small businesses.

On the contrary, the **SME 60-120+ day debt stress ratio**[3] increased slightly, to 18.0% in Q4, from 17.8% in Q3.



Unlike the decline in overall outstanding debtors' days, those pertaining to SMEs declined only marginally, to 53.5.



The dichotomy between the financial improvement of the overall sample and that of small businesses suggests that company size plays a role in

[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*

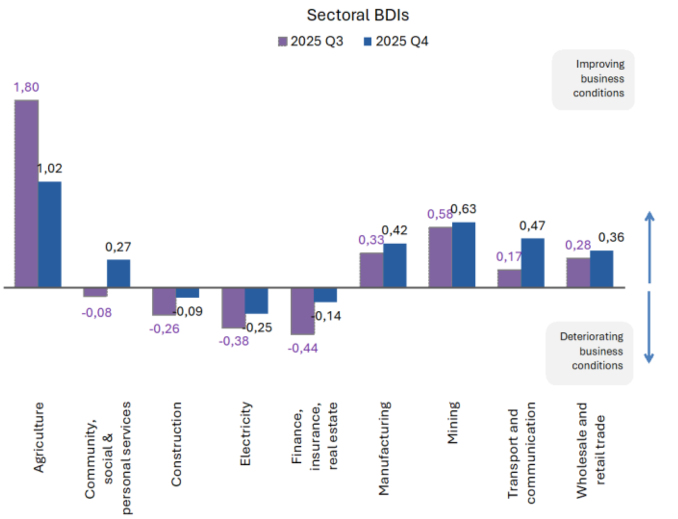
[3] *The ratio of outstanding debt owed by SMEs of 90 to 120+ days relative to that owed of less than 60 days*

determining whether its financial standing has been improving of late.

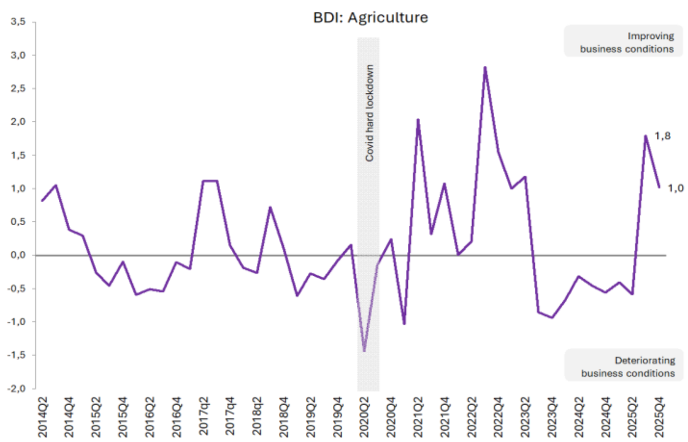
Any improvement in the finances of small businesses appears to have been marginal at best and may speak to the tardiness of big businesses and government to pay for work done for them by small businesses, creating cash strains on the latter.

BDI by sector

From a sectoral perspective, nine of the 10 economic sectors of the country witnessed some improvement in business debt conditions in Q4.



The only sector in which the BDI did not improve in Q4 was agriculture. The decline in the BDI in this sector specifically came off an exceptionally strong base in the previous quarter.



Out of the remaining nine economic sectors, just three, namely construction, electricity and financial services, all continued posting negative BDIs.

In other words, only in these sectors were business conditions apparently still deteriorating in Q4. The remaining sectors simply became more positive about business debt than before.

	2025 Q3	2025 Q4
Agriculture	1,80	1,02
Mining	0,58	0,63
Electricity	-0,38	-0,25
Manufacturing	0,33	0,42
Transport	0,17	0,47
Retail Trade	0,28	0,36
Community Services	-0,08	0,27
Construction	-0,26	-0,09
Finance	-0,44	-0,14
Total	**0,42**	**0,62**

Outlook

Following the global shock in March caused by the US-Israeli attack on Iran in late February, the Q1 2026 BDI is unlikely to increase.

The 70% surge in international oil prices threatens to drive up global inflation.

At best, this has simply meant that the anticipated interest rate reductions around the world for the remainder of the year are no longer going to be forthcoming.

At worst, should the war in Iran prove to be protracted, resulting in shipping routes in the Gulf and the Red Sea continuing to interrupt seaborne traffic of oil, gas and other related goods, international prices of energy are likely to remain at new elevated levels that threaten the world with a massive surge in inflation.

Potential disruptions to supply chains threaten the world with shortages of a host of products, with inflationary consequences.

The resultant erosion of disposable income of households is likely to weigh on global economic growth. Indeed, should oil prices remain at current levels, which are 70% higher than pre-war levels, for an extended period through 2026, there is a real risk of a global recession.

South Africa's economy is unlikely to be spared, although at least precious metals prices remain at levels that are elevated by historical standards, with prices some 50% to 100% higher than a year ago.

The bonanza of additional export revenues from the mining sector could not only more than neutralise the additional cost of oil imports, but also stands to provide valuable additional tax revenue for the South African fiscus.

Given the uncertainty surrounding the likely duration of the Iran war, it is difficult and premature to draw dogmatic conclusions about the short-term course of the BDI.

There is a strong likelihood that the South African Reserve Bank will be obliged to raise key interest rates at least once in order to send a consistent message of determination to meet inflation targets.

One can only hope that the country continues to focus on structural reforms that stand to enhance long-term growth, rather than be sidetracked by the short-term damage inflicted by higher oil prices.

Should structural reform in South Africa continue to show success, that in itself will help lift long-term economic growth. In the process, the readings relating to business debt conditions would continue to show improvement.

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: June 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.