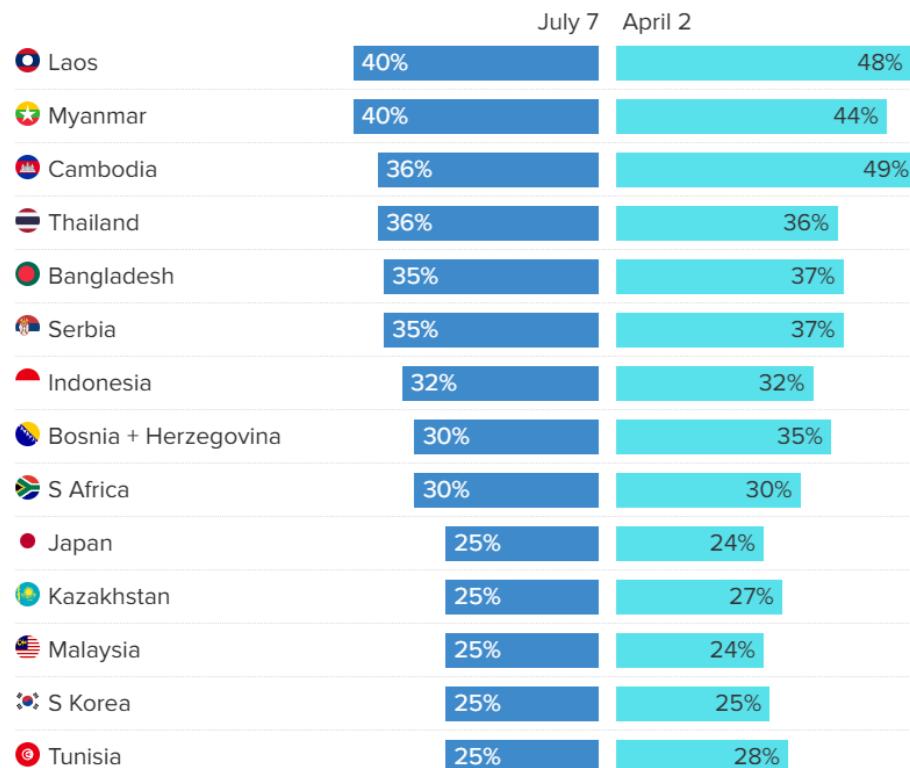


Delayed tariff deadline, continued negotiation

President Donald Trump just announced new tariff rates to selected countries, including Indonesia, while Trump also delay the deadline date to August 2025. On the other hand, Trump is still open for negotiation to this tariffs. For countries that have been negotiating or in the negotiation process, it is possible that the deadline can be extended beyond August 2025. Hence, the situation remain fluid for now. Meanwhile, Indonesia has recently signed a US\$34bn MOU with the US which covers the imports of US soybean, corn, cotton, LNG, wheat and aircrafts. Indonesia also continue to encourage business-to-business (B2B) MoU with the US companies to aid tariff negotiation process. That said, Indonesia is trying to offer more purchases/trade and investment with the US to get more favorable trade deal.

Figure 1. Tariff rate for selected countries (effective August 1st, 2025)



Source: White House, CNBC



8 July 2025

Our comment:

This latest announcement may raised uncertainty to the trade policy as market expect lower tariff compares to Liberation Day. Meanwhile, next tariff announcements of other countries will be watched in the next few days. And most important part is the tariff for Mexico, Canada and China, which contribute >40% of the US imports, will not discuss in this period. The combination of higher US inflation and slower growth may put Fed in difficult situation in determining their monetary policy.

If this tariff stays, Indonesia's export to the US may lose competitiveness to Vietnam, which has lower import tariff of 20%, as announced few days ago. The impact will be felt by few labor-intensive sectors, such as textiles, apparel and light manufacturing, which the US is a key export market. Hence, this may create another headwind to current soft economy activities recently. On the positive side, this should increase the urgency to the government to do more reform.

Equity strategy:

We believe it could weigh on market sentiment, but there remains a negotiation window until August 1, 2025, offering potential for a more favorable outcome. Should Indonesia succeed in securing a lower tariff, it could serve as a positive catalyst for the equity market. In the meantime, we maintain a cautiously optimistic stance on equities. Our portfolio's strong liquidity position ensures we remain agile and well-positioned to re-calibrate our strategy in response to any meaningful developments.

Fixed Income strategy:

While we acknowledge there could be some negative sentiment should our tariff is set higher than other neighboring countries, we think there should be minimal impact on Indonesia fixed income market. Negative sentiment on trade tariff should be offset by solid reinvestment demand from maturing SRBI and INDOGB until August. In mid to long term, we think Bank Indonesia should remain accommodative to support growth.

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