Quick comments on US tariff decision:

When the levee breaks

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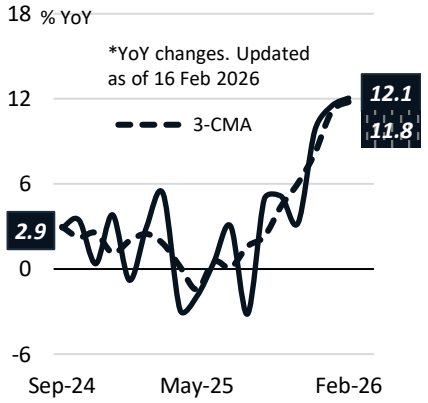
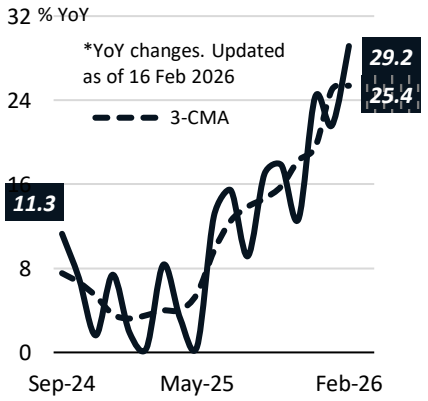
BCA Consumer Spending Index*



BCA Business Transaction Index*

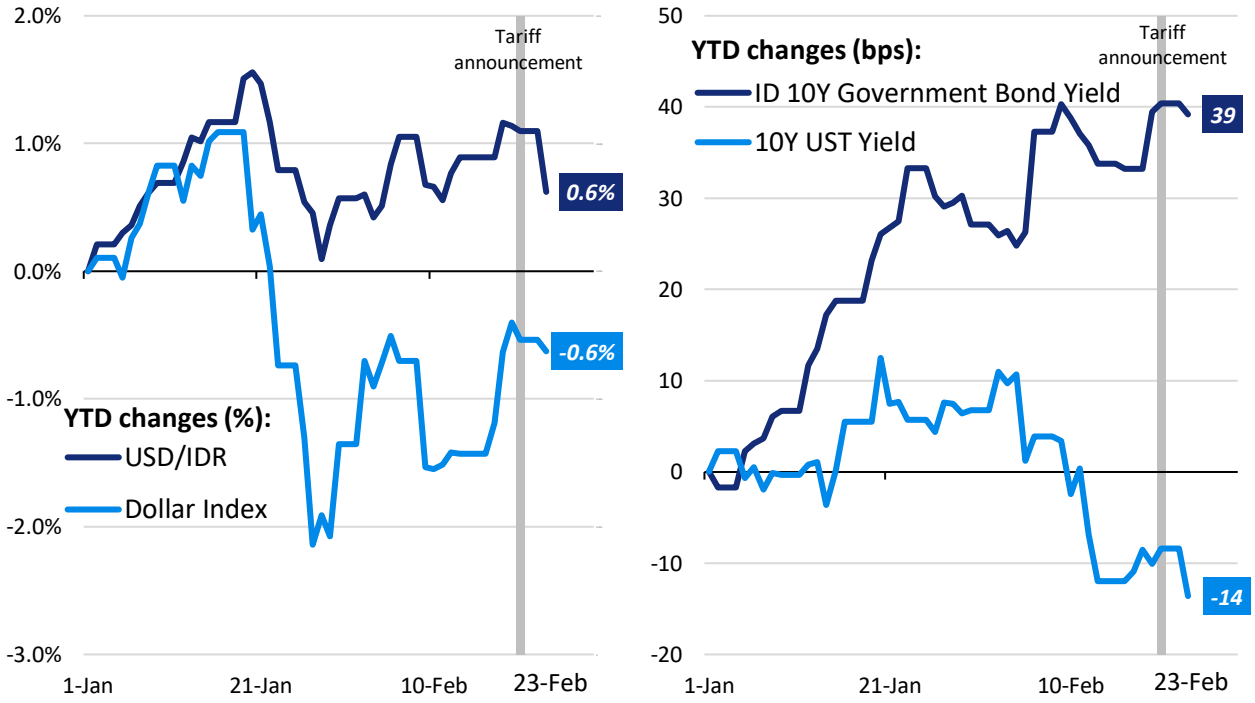


- The new 10% US tariff policy under Section 122, which was implemented today, will be in effect for 150 days. This is the latest development after the President of the United States (POTUS) announced a 15% tariff, a level that officials are still working towards. **After the 150-day period, it will be up to Congress to decide whether to continue the tariffs. However, the President may resort to other laws, such as Section 301, to maintain the tariffs**.
- Although the Supreme Court deemed the tariffs imposed under the IEEPA illegal, **President Trump is still ensuring that deals with other countries proceed**. On one hand, countries with higher tariffs that have reached an agreement might need to fulfill their commitment to buy US goods or invest in the US. On the other hand, countries with lower tariffs that have not reached a deal might complain about a higher tariff and the loss of their comparative advantage. **There is no clear information on whether Indonesia will still have to buy USD 33 Bn worth of US goods from the latest US – Indonesia Trade Agreement**.
- Along with this, there is pressure from many sides for the US government to refund the tariffs that have been collected. The combination of declining potential revenue from tariffs for 2026 and the burden of refunds **will increase the risk of the US fiscal deficit, thereby pushing up US long-term yields, and of course, global yields as well**.
- Conversely, short-term rates have the potential to improve due to the loss of some inflation drivers in the US caused by tariffs, which could create more room for the Fed to cut interest rates (data from Goldman Sachs shows that more than half of the cost of the tariffs is passed on to US consumers). However, **the probability of the Fed cutting rates at least once this year only slightly increased by about 0.5% after the announcement**. The relatively stable US job market seems to offset the impact.
- In terms of international trade, lower tariffs could boost exports from some countries, such as China, India, Vietnam, and Brazil, which previously faced high reciprocal tariffs. **The positive impact on China's economic growth could increase export demand from Indonesia to that country, providing an additional catalyst for our GDP**.
- Nevertheless, there are some negative impacts on our direct exports to the US. Indonesia has benefited from a lower tariff (especially compared to China), which has boosted our exports to the US. The most

obvious example is the nearly USD 2 Bn in solar cell exports to the US in 2025, largely from Chinese companies operating in Indonesia. Thus, **this change in tariff levels could cause us to lose our comparative advantage on products that compete with, for example, China and Vietnam**.

- Overall, this announcement has a positive impact, albeit limited, that supports the strengthening of the rupiah exchange rate and the stock market. The market seems to see that the potential for significant GDP acceleration in Q1 will be accompanied by the risk of a deeper deficit in the current account (caused by the acceleration of credit and government spending). Thus, **we do not expect any changes to our forecasts for the BI Rate, with little chance for a cut at least in the first half of 2026**.

1 **A weakening dollar** presents an opportunity for rupiah



2 Given Indonesia's growing dependence on China, a boost for the Chinese economy is also positive for Indonesia

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	1.35
UK	3.75	Aug-25	0.75
EU	2.15	Jun-25	0.45
Japan	0.75	Dec-25	-0.75
China (lending)	2.00	Sep-24	4.15
Korea	2.50	May-25	0.50
India	5.25	Dec-25	2.50
Indonesia	4.75	Sep-25	1.20
Money Mkt Rates	**23-Feb**	**-1 mth**	**Chg (bps)**
SPN (1Y)	4.59	4.13	45.6
SUN (10Y)	6.44	6.38	5.9
INDONIA (O/N, Rp)	4.09	3.68	40.4
JIBOR 1M (Rp)	5.03	5.03	0.0
Bank Rates (Rp)	**Oct**	**Sep**	**Chg (bps)**
Lending (WC)	8.30	8.46	-16.00
Deposit 1M	4.75	4.96	-21.00
Savings	0.68	0.70	-2.00
Currency/USD	**23-Feb**	**-1 mth**	**Chg (%)**
UK Pound	0.741	0.733	-1.11
Euro	0.849	0.845	-0.36
Japanese Yen	154.7	155.7	0.68
Chinese RMB	6.905	6.963	0.84
Indonesia Rupiah	16,794	16,822	0.17
Capital Mkt	**23-Feb**	**-1 mth**	**Chg (%)**
JCI	8,396.1	8,951.0	-6.20
DJIA	48,804.1	49,098.7	-0.60
FTSE	10,684.7	10,143.4	5.34
Nikkei 225	56,825.7	53,846.9	5.53
Hang Seng	27,081.9	26,749.5	1.24
Foreign portfolio ownership (Rp Tn)	**Jan**	**Dec**	**Chg (Rp Tn)**
Stock	4,021.0	4,186.7	-165.77
Govt. Bond	878.6	1,327.7	-449.17
Corp. Bond	5.2	4.7	0.53

Trade & Commodities	23-Feb	-1 mth	Chg (%)
Baltic Dry Index	2,112.0	1,762.0	19.9
S&P GSCI Index	603.1	584.1	3.2
Oil (Brent, $/brl)	71.5	65.9	8.5
Coal ($/MT)	120.3	111.2	8.2
Gas ($/MMBtu)	3.13	30.72	-89.8
Gold ($/oz.)	5,227.4	4,987.5	4.8
Copper ($/MT)	12,784.9	13,048.9	-2.0
Nickel ($/MT)	17,082.0	18,553.3	-7.9
CPO ($/MT)	1,036.8	1,021.2	1.5
Rubber ($/kg)	1.94	1.89	2.6
External Sector	**Dec**	**Nov**	**Chg (%)**
Export ($ bn)	26.35	22.52	16.99
Import ($ bn)	23.83	19.86	20.02
Trade bal. ($ bn)	2.51	2.66	-5.61
Central bank reserves ($ bn)*	156.5	150.1	4.27
Prompt Indicators	**Jan**	**Dec**	**Nov**
Consumer confidence index (CCI)	127.0	123.5	124.0
Car sales (%YoY)	7.0	17.9	-1.0
Motorcycle sales (%YoY)	3.1	14.5	2.1
Manufacturing PMI	**Jan**	**Dec**	**Chg (bps)**
USA	52.4	51.8	60
Eurozone	49.5	48.8	70
Japan	51.5	50.0	150
China	50.3	50.1	20
Korea	51.2	50.1	110
Indonesia	52.6	51.2	140

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise

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Indonesia – Economic Indicators Projection

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	7.9
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5362
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	2.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	4.50
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	6.50
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	16,784
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	16,842
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	33.8
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-0.4

Notes:

- *USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time*

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