



Global Macro Flash

US Reciprocal Tariff Announcement | July 8th, 2025

U.S. Imposes Reciprocal Tariffs on ASEAN: Economic Impact Expected

Last night (7/7), U.S. President Donald Trump sent a letter to ASEAN leaders announcing the continuation of reciprocal import tariff policies, which will take effect on August 1, 2025. It is expected to cause corrections in ASEAN financial markets, including stock and bond markets. It is also anticipated that ASEAN Central Banks, especially Bank Indonesia, will likely maintain a wait-and-see approach regarding interest rate cuts due to concerns about inflation. Indonesia faces a 32% tariff on all exported products, unchanged from the initial rate before the 90-day tariff policy delay was implemented. Other countries face different rates, such as Malaysia, which has a rate of 25%, up from 24%, although still lower than other ASEAN nations like Laos and Myanmar, both at 40%. It is followed by the top 6 ASEAN countries, Thailand and Cambodia, both at 36% (**Figure 1**).

Tariff barriers can compress margins, and the high range of margins could be crucial. Margin resilience will be essential for ASEAN-based exporters. Bloomberg data shows that technology companies listed in Malaysia, Thailand, Indonesia, and Vietnam report median EBITDA margins of 10%-20% (**Figure 2**) based on the average of the last three calendar years. If exporters are forced to absorb part of the tariff burden through reduced selling prices or contract renegotiations, this could pressure profitability, especially for those operating at the lower end of the margin range.

Previously, the Indonesian Government sent a delegation led by Coordinating Minister for Economic Affairs Airlangga Hartanto to the U.S. to ensure the government's commitment to implementing near-zero tariffs on more than 1,700 commodities, or nearly 70% of total U.S. imports, including electronics, machinery, chemicals, and automotive products. Additionally, Indonesia will strengthen cooperation in the mineral and military sectors and offer to purchase wheat, as well as dozens of Boeing aircraft, and provide investment opportunities in strategic mineral projects to ease regulations and ensure fairer treatment of U.S. companies, thereby maintaining balanced and sustainable economic relations.

In his letter, President Donald Trump stated that the U.S. has been discussing fairer and more balanced trade policies for several years. It is due to the U.S. trade balance's continued deficit, and the U.S. government wants to eliminate this deficit by implementing reciprocal tariffs on U.S. trading partners. Furthermore, President Trump offered 0% tariffs to Indonesia if Indonesian companies agreed to build manufacturing plants in the U.S. as soon as possible, warning that retaliatory tariffs would result in additional charges equal to the imposed tariff plus the 32% reciprocal tariff. It is being done to rebalance trade that has been considered detrimental to the U.S. and to protect U.S. economic and national security interests.

The U.S. country is Indonesia's second-largest export destination (**Figure 3**). However, these reciprocal tariffs will impact profits if Indonesian companies maintain export prices to the U.S. to remain competitive against products from other countries. Additionally, there is potential for inflation on goods in both the U.S. and Indonesia if the government implements retaliatory tariffs. Nevertheless, total U.S.-Indonesia trade amounts to U.S. \$10.29 billion, with a cumulative surplus of U.S. \$4.3 billion as of 1Q25. When calculated against total net exports of U.S.\$10.91 billion and Indonesia's Gross Domestic Product (GDP) of U.S.\$1,405.2 billion, the trade surplus with the U.S. represents only 0.31% of Indonesia's total GDP in 1Q25, suggesting a minimal impact on national economic growth.

Macro & Fixed Income Lead
Nur Ryshalti
+62 21 255 6138 Ext. 8302
nur.ryshalti@phintracosekuritas.com

Div. Head of Research & Education
Valdy Kurniawan
+62 21 255 6138 Ext. 8302
valdy@phintracosekuritas.com



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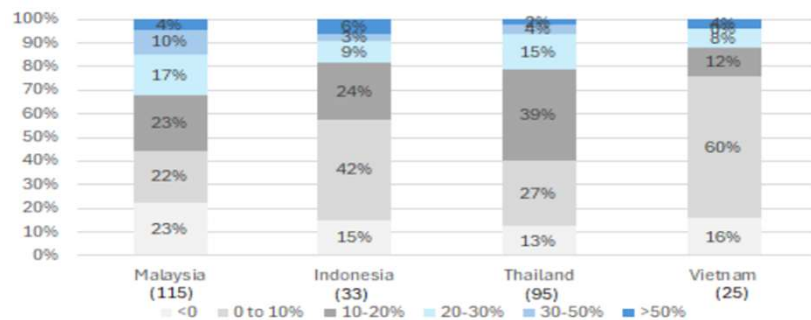
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Figure 1. Tariff announces tariff rates on select trading partners with a focus on ASEAN

| No | Asean Country | Reciprocal Tariff (%) 2-Apr-25 | Reciprocal Tariff (%) 7-Jul-25 | Change (%) | Remarks |
|---------------------|---------------|-----------------------------------|-----------------------------------|------------|------------|
| Mentioned in Letter | | | | | |
| 1 | Vietnam | 46 | 20 | -26 | Better off |
| 2 | Laos | 48 | 40 | -8 | Better off |
| 3 | Myanmar | 44 | 40 | -4 | Better off |
| 4 | Cambodia | 49 | 36 | -13 | Better off |
| 5 | Indonesia | 32 | 32 | 0 | Unchanged |
| 6 | Thailand | 36 | 36 | 0 | Unchanged |
| 7 | Malaysia | 24 | 25 | 1 | Worse off |
| Not Mentioned | | | | | |
| 8 | Singapore | 10 | - | | |
| 9 | Philippine | 17 | - | | |
| 10 | Brunei | 24 | - | | |

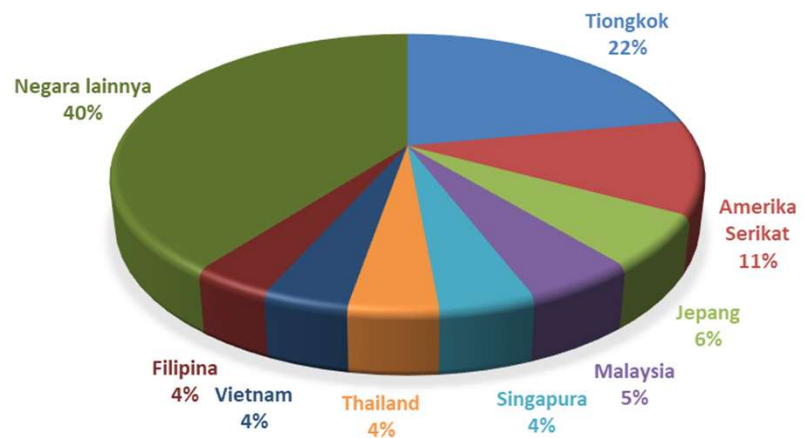
Source : Phintraco Sekuritas Research | WhiteHouse.gov

Figure 2. Mix of companies by EBITDA margin band in each country for tech sector



Source : Phintraco Sekuritas Research | Bloomberg

Figure 3. Indonesian shared export by country destination in 1Q25 (YTQ)



Source : Phintraco Sekuritas Research | BPS