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FX & Interest Rate

Global markets remain unsettled as the U.S. imposes a 10% universal tariff starting April 5, with plans to raise duties on Chinese imports to 60% by April 9. As trade tensions escalated with Chinese retaliation, the U.S. set a total tariff of 125% on Chinese goods. This escalation has broader implications, impacting exports from Vietnam, Mexico, and Indonesia—especially electronics, auto parts, textiles, and footwear. With rising import costs, U.S. core inflation may pick up, prompting markets to price in stagflation risks. UST 10Y yields rose to near 4.5%, delaying Fed rate cut expectations, even though the latest FOMC Dot Plot suggests 50 bps in cuts this year, expected on Jun-25 and Sep-25.

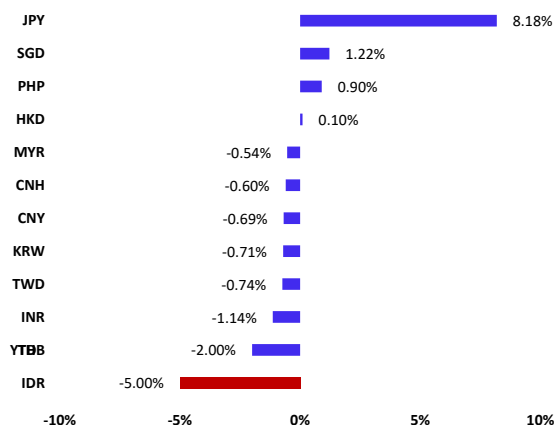
The Rupiah briefly touched IDR 16,972/USD amid foreign outflows and external volatility, with easing oil prices below USD 65/barrel offered slight relief. Although the Fed's delay in rate cuts narrows Bank Indonesia's room to maneuver, a 25 bps BI rate cut in 2H25 remains on the table, supported by softening domestic growth and accommodative fiscal policy. BI has also responded through liquidity easing—raising KLM and RRR incentives to 5% for priority sectors.

Fiscal pressure is beginning to emerge. 1Q25 state revenue fell 20.1% YoY due to declining import duties and corporate income taxes, reflecting weaker trade and squeezed margins. Simultaneously, the weaker Rupiah could raise subsidies and capital-goods import costs. While the fiscal deficit is still manageable at IDR 104.2 trillion (0.43% of GDP), prolonged revenue shortfalls could limit spending flexibility, testing fiscal credibility and bond market stability as the need for financing goes up.

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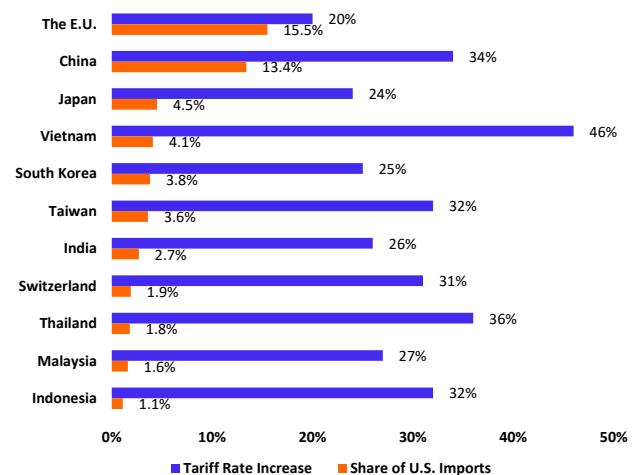
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Chart 1. Asian Currencies Depreciated in 2025



Source: Bloomberg

Chart 2. U.S. Reciprocal Tariffs and Share of U.S. Imports



Source: The White House; Bank Danamon Indonesia

Automotive Industry

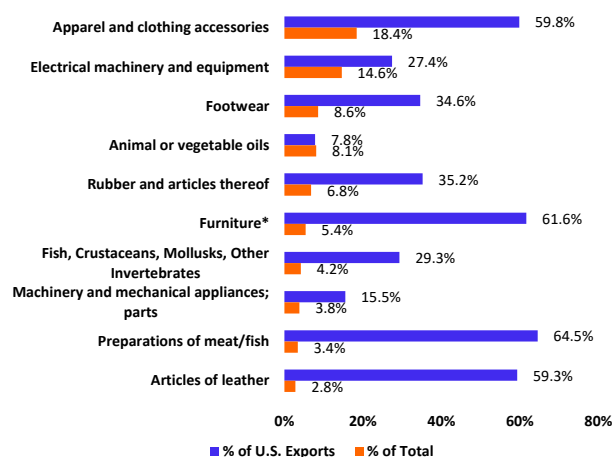
Stronger automotive sales ensued in Feb-25 with seasonal Eid exodus preparation, but a rocky path lies ahead.

Automotive sales strengthened in Feb-25, driven by Eid exodus preparation, with 4W wholesales rising 2.2% yoy to 72,295 units and 2W sales increasing 4.0% yoy to 581,277 units. This growth was supported by a record manufacturing PMI expansion in Feb-25 (53.6), consumer anticipation for Eid travel, and improved current income perception at the same time (+2.92% yoy). However, reduced festive spending and lower saving rates (14.70% in Feb-25) could limit automotive purchases in the coming months.

President Trump's 32% Reciprocal Tariff on Indonesian imports would affect spare part manufacturers. On April 2, President Trump announced a 32% reciprocal tariff on Indonesian imports, effective April 9, significantly higher than Indonesia's average tariff rate of 8.56% on U.S. goods. This policy is expected to reduce export demand for Indonesia's spare part manufacturers, comprising filters, bolts, and other parts valued at USD 1.9 billion in 2024, accounting for 15.5% of Indonesia's global parts exports. A similar effect would occur on tire manufacturers, which exported USD 800.4 million to the U.S. in 2024. To mitigate the impact, Indonesia's automotive ecosystem need export destinations diversification to sustain growth.

Shifting global trade patterns would intensify Electric Vehicle (EV) competition in Indonesia. From February to March 2025, Indonesia saw a wave of new EV launches, with two key disruptors shaking up the market. Vietnam's VinFast entered the scene, targeting taxi fleets (VF5) and the low-urban segment (VF3), signaling a bold expansion strategy. Meanwhile, BYD launched its premium sub-brand, Denza, with its electric MPV, the D9, quickly securing the second-highest EV sales in February at 912 units, cementing its strong market presence. With the local content requirements still arriving in 2026 for EVs, we expect EV manufacturers to increase their presence in Indonesia for the rest of 2025.

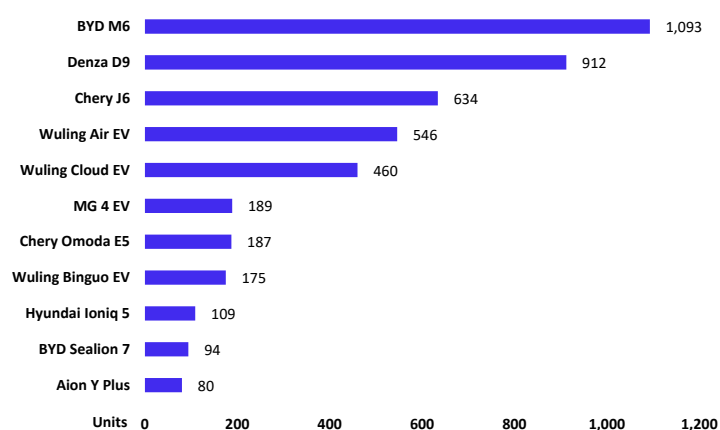
Chart 3. Top 10 Indonesian Exports to the U.S. (2024)



*: Exempted, as of now

Source: Mandiri Sekuritas

Chart 4. Top 10 EV Sales in Indonesia (Feb-25)



Source: GAIKINDO

Indonesia's Selected Economic Indicators

	2022	2023	2024	2025E
National Accounts				
Real GDP (% y-o-y)	5.3	5.0	5.03	5.11
Domestic demand ex. inventory (% y-o-y)	3.8	4.6	4.94	4.95
Real Consumption: Private (% y-o-y)	4.9	4.9	4.9	4.98
Real Gross Fixed Capital Formation (% y-o-y)	3.9	4.4	4.61	4.4
GDP (USD bn) — nominal	1,319	1,371	1,440	1,503
GDP per capita (USD) — nominal	4,783	4,920	4,960	5,219
Open Unemployment Rate (%)	5.9	5.3	4.9	5.0
External Sector				
Exports (% y-o-y, BoP Basis)	25.6	-11.3	6.51	4.17
Imports (% y-o-y, BoP Basis)	21.6	-7.3	7.95	2.41
Trade balance (USD bn, BoP Basis)	62.7	46.4	31.04	32.87
Current account (% of GDP)*	1.0	-0.1	-0.6	-0.5
Central government debt (% of GDP)	39.6	38.9	39.13	39.05
International Reserves –IRFCL (USD bn)	137.2	146.4	155.7	148.0
Reserve Cover (Months of imports & ext. debt)	5.9	6.5	6.5	6.3
Currency/USD (Year-end)	15,573	15,399	16,235	16,560
Currency/USD (Average)	14,855	15,244	15,920	16,577
Other				
BI 7-Day Reverse Repo rate (% year end)	5.5	6.0	6.0	5.5
Consumer prices (% year end)	5.51	2.61	1.57	2.5
Fiscal balance (% of GDP; FY)	-2.38	-1.65	-2.3	-2.5
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

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