

Macro Note

Indonesia: Current Account Implications from US Tariffs

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- Indonesia and the United States signed a trade framework in Jul, adjusting US import tariffs to 19% (viz. 32% prior), with parallel cooperation in digital trade, environmental standards, labor, and security issues.
- Indonesia's exports to the US are dominated by low value-added manufacturing and mining, while imports from the US are dominated by raw materials and capital goods. In particular, despite the lower tariff of 19% effective in Aug, we estimate the value of key export products such as furniture, textiles, mineral products, and footwear to reduce Indonesia's exports to the US by around USD9bn.
- Under the 19% tariff scenario, Indonesia's trade surplus with the US may potentially narrow significantly to just USD5bn (2023 surplus: USD11.7bn, and 2024 surplus: about USD14bn, per BI data). Assuming the imports of Indonesia from the US on some key import goods, such as on soybeans and related products, are taking an effective 0% rate, the surplus could further narrow to USD4.1bn.
- In the end, this narrowing trade surplus may exert pressure on Indonesia's current account deficit (CAD), *ceteris paribus*, given that on average, the US accounted for one-third of Indonesia's trade surplus over the past few years.
- BI expects CAD this year to remain relatively manageable within the range of 0.5-1.3% of GDP despite global uncertainty and challenges. However, we felt that given risks of reduced surplus in goods and services trade, our 2025 CAD forecast of 1% of GDP is now revised to 1.5% and up to 2.1% of GDP for 2026. Historical precedent suggests that the rupiah typically depreciated during times of widening CAD. This may complicate chances of further easing by BI. We therefore maintain our 2025 BI rate forecast at current level of 5.25% and only to resume cutting in 1Q26.

Indonesia-US Trade Agreement Highlights

On 22 Jul, Indonesia and the United States (US) reached a significant trade framework, finalizing import tariffs for Indonesian goods at 19%, reduced from the previous rate of 32%. Beyond tariff-related matters, both nations signed additional accords covering key sectors including digital trade, environmental commitments, labor standards, and bilateral economic and security arrangements. In the trade sector, the framework encompasses Indonesia's procurement of American aircraft, energy commodities, and agricultural products, with total purchase commitments estimated at USD22.7bn over the years. Furthermore, the US has requested significant reduction of Indonesian import tariffs to 0% and the easing of non-tariff barriers, including streamlined shipping procedures and alignment with US certification standards.

Revised Trump Tariffs post 2 Apr Liberation Day

Source: The White House, UOB Global Economics & Market Research

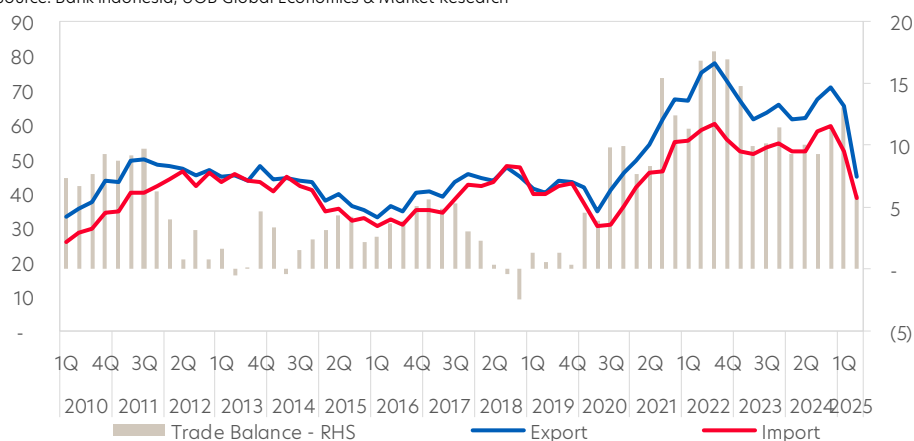
Trade Partner	Adjusted July	02-Apr
European Union	15%	20%
Japan	15%	23%
Indonesia	19%	32%
Philippines	19%	17%
Bruinei	25%	24%
South Korea	15%	25%
Malaysia	19%	24%
Canada	35%	-
Thailand	36%	36%
Cambodia	36%	49%
Myanmar	40%	44%
Laos	40%	48%
Brazil	10%	50%

US Agreement May Shift Dynamics of Indonesia's Trade Balance

Indonesia's trade balance has recorded a surplus for 61 consecutive months since 2020 (see: [Indonesia: Larger trade surplus on strong non-oil exports](#)). On the export side, the manufacturing and mining sectors remain dominant, accounting for 80.2% and 12.6% respectively, or USD20bn and USD3.1bn as of May 2025. Meanwhile, imports are largely composed of non-oil & gas commodities, primarily raw materials and capital goods, comprising 69.1% and 21.8% respectively, valued at USD14bn and USD4.5bn.

Indonesia's Trade Balance and Export-Import trend 2010 – 2Q2025 (in USDbn)

Source: Bank Indonesia, UOB Global Economics & Market Research



The recent trade tariff agreement between Indonesia and the US presents potential risks to Indonesia's trade balance. As one of Indonesia's strategic trading partners, the US plays a vital role in bilateral cooperation spanning trade, green economy, healthcare, education, and security. Overall, Indonesia has consistently posted a trade surplus with the US since 2010, rising from USD6.3bn to USD14bn in 2024, using statistics from the Bank Indonesia. In 2024, the US ranked as Indonesia's second-largest contributor to the trade surplus (USD13.9bn), after India (USD14.7bn) and ahead of the Philippines (USD8.8bn). The US was also Indonesia's second-largest export destination in 2024, with total exports reaching USD26.2bn, though trailing far behind China's USD62.2bn. On the import side, the US was Indonesia's fourth-largest source, with imports totaling USD12.3bn, behind China (USD72bn), Singapore (USD21.7bn), and Japan (USD15bn).

Top 10 Indonesia's Trade Partner 2024 (in USDbn)

Source: Bank Indonesia, UOB Global Economics & Market Research

Partner	Flow (USD mn)		Surplus (Deficit)	% to World	
	Export	Import		Export	Import
US	26.2	12.3	13.9	10.0%	5.5%
PH	10.6	1.8	8.8	4.1%	0.8%
MY	11.7	10.7	1.0	4.5%	4.8%
SG	11.0	21.7	(10.7)	4.2%	9.8%
TH	7.6	9.6	(2.0)	2.9%	4.3%
VN	9.5	6.4	3.1	3.6%	2.9%
IN	20.3	5.6	14.6	7.7%	2.5%
SK	10.6	9.3	1.2	4.0%	4.2%
JP	20.5	14.9	5.6	7.8%	6.7%
CN	62.2	72.0	(9.9)	23.7%	32.5%
World	261.8	221.9	39.9	100.0%	100.0%

The latest detailed data from 2023 showed that trade between the two countries is concentrated across ten primary commodities.

Indonesia's top ten exports to the US represented 74.4% of total exports to US valued at USD17.3bn, led by HS85 (electrical machinery and equipment), HS61 (knitted apparel), and HS62 (non-knitted apparel).

Conversely, Indonesia's top ten imports from the US comprising 70.9% of total US imports, valued at USD8bn, with HS27 (mineral fuels), HS84 (machinery and mechanical appliances), and HS12 (oil seeds and oleaginous fruits) leading the list.

Comparative analysis further highlights the significance of certain traded goods with the US, as indicated by top 10 out of 96 major commodities. These figures suggest that several US-bound exports are among Indonesia's top globally competitive products such as furniture, textiles and apparels, footwear, and rubber products, while many strategic imports from the US are vital to domestic demand such as machineries and mineral fuels.

Top 10 Export to & Import from US in 2023

Source: UN Comtrade, UOB Global Economics & Market Research

HS Code	HS Category	Export to US		Global Rank	Export to World (USD bn)
		USD bn	in % to total		
85	Electrical machinery and equipment and parts thereof	3.46	14.9%	4	14.3
61	Articles of apparel and clothing accessories (knitted)	2.29	9.8%	16	3.8
62	Articles of apparel and clothing accessories (not knitted)	2.07	8.9%	14	4.2
15	Animal or vegetable fats and oils	1.95	8.4%	2	28.5
64	Footwear	1.92	8.2%	10	6.4
40	Rubber and articles thereof	1.64	7.0%	12	5.1
94	Furniture lamps and lighting fittings	1.30	5.6%	23	2.3
03	Fish crustaceans and mollusca	1.09	4.7%	17	3.6
16	Preparations of meat fish crustaceans and mollusca	0.81	3.5%	33	1.4
84	Machinery and mechanical appliances and part thereof	0.80	3.4%	9	6.5
Total		23.28	100.0%		258.7

HS Code	HS Category	Import from US		Global Rank	Import to World (USD bn)
		USD bn	in % to total		
27	Mineral fuels	2.20	19.5%	1	40.1
84	Machinery and mechanical appliances and part thereof	1.54	13.6%	2	32.2
12	Oil seeds and oleaginous fruits	1.27	11.2%	19	2.0
23	Residues and waste from the food industries	0.72	6.4%	10	4.3
47	Pulp of wood	0.43	3.8%	25	1.5
88	Aircraft spacecraft and parts thereof	0.42	3.8%	37	1.0
85	Electrical machinery and equipment and parts thereof	0.41	3.6%	3	25.8
39	Plastics and articles thereof	0.37	3.3%	6	9.4
90	Optical photographic cinematographic medical instruments	0.36	3.2%	11	3.8
29	Organic chemicals	0.29	2.6%	7	6.4
Total		11.27	100.0%		220.3

US Tariff Policy May Weaken Indonesia's Export in Key Sectors

The implementation of a sweeping 19% US import tariff may lead to a decline in Indonesia's total exports value to the US by approximately USD9bn, according to our calculations. Based on projected estimates, Indonesia's flagship export items, textiles, are expected to fall by USD3bn from the total forecast of USD5.1bn for 2026 in the absence of the imposed tariff. This decline accounts for 31% of the overall projected drop in Indonesia's exports to the US.

Additionally, two other primary export commodities, which are mineral products and footwear & headwear, are also projected to experience reductions, contributing 16% and 10% respectively to the estimated reduction of USD1.5bn and USD1bn respectively. Combined, these three key export categories represent 57% of the total anticipated impact under the 19% tariffs scenario.

Additional 19% tariff estimated change in exports from Indonesia to US

Source: Observatory of Economic Complexity, UOB Global Economics & Market Research

Category	Obs. Trade 2023	Est. Trade 2026		Est. Change	
		No change	Sim. Tariff	USD bn	% to total
Textiles	4.76	5.12	2.26	(2.86)	31%
Mineral Products	0.27	1.53	0.04	(1.49)	16%
Footwear and Headwear	2.49	1.79	0.83	(0.96)	10%
Machines	5.65	3.14	2.59	(0.55)	6%
Plastics and Rubbers	2.19	2.62	2.12	(0.50)	5%
Miscellaneous	2.10	1.36	0.89	(0.47)	5%
Foodstuffs	1.61	1.27	0.88	(0.39)	4%
Wood Products	0.70	0.59	0.22	(0.38)	4%
Metals	0.67	0.96	0.65	(0.31)	3%
Animal Products	1.22	1.42	1.18	(0.24)	3%
Animal and Vegetable Bi-Products	2.30	1.29	1.07	(0.22)	2%
Paper Goods	0.45	0.41	0.23	(0.18)	2%
Chemical Products	0.97	0.68	0.52	(0.17)	2%
Instruments	0.51	0.48	0.33	(0.15)	2%
Animal Hides	0.79	0.25	0.11	(0.14)	1%
Vegetable Products	0.44	0.67	0.56	(0.11)	1%
Transportation	0.31	0.43	0.33	(0.11)	1%
Precious Metals	0.19	0.38	0.32	(0.06)	1%
Stone And Glass	0.11	0.17	0.12	(0.05)	1%
Arts and Antiques	0.01	0.01	0.01	(0.00)	0%
Weapons	0.00	0.00	0.00	(0.00)	0%
Grand Total	27.75	24.57	15.23	(9.33)	100%

From a commodity-specific perspective, the effects of the tariff are broadly distributed, with some concentration observed in crude petroleum (HS2709). The top 10 commodities collectively account for 41% of the USD9bn decrease, or approximately USD4bn. Of particular concern are textile, footwear, and all knitwear products, as these are among Indonesia's most competitive exports to the US. The price inflation induced by the tariff may suppress demand, posing a challenge for domestic industries to compete with other countries exporting similar goods. Nonetheless, Indonesia remains comparatively better positioned, with lower tariff exposure relative to other ASEAN production hubs for footwear and knitwear such as Vietnam, which face higher trade barriers.

Top 10 commodity export estimated change due to 19% tariff (in USDbn)

Source: Observatory of Economic Complexity, UOB Global Economics & Market Research

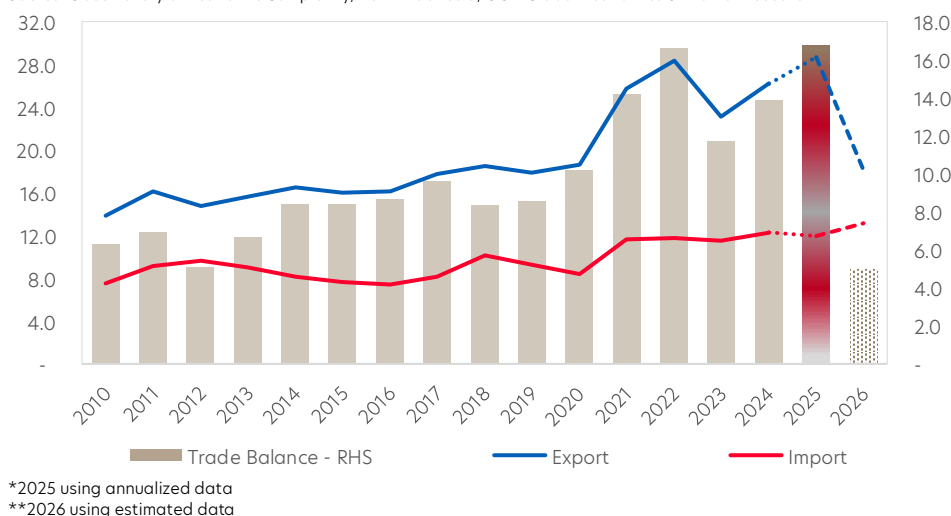
Top 10 Commodity	Obs. Trade 2023	Est. Trade 2026		Est. Change	
		No change	Sim. Tariff	USD bn	% to total
Crude Petroleum	0.00	1.28	0.04	(1.24)	13%
Textile Footwear	0.66	0.67	0.17	(0.50)	5%
Knit Sweaters	0.78	0.83	0.35	(0.48)	5%
Knit Women's Suits	0.47	0.62	0.25	(0.37)	4%
Non-Knit Women's Suits	0.55	0.62	0.27	(0.36)	4%
Plywood	0.35	0.32	0.09	(0.23)	2%
Leather Footwear	1.16	0.56	0.33	(0.23)	2%
Non-Knit Men's Suits	0.38	0.37	0.15	(0.23)	2%
Other Furniture	0.72	0.66	0.44	(0.22)	2%
Other Commodity	22.67	18.64	13.17	(5.47)	59%
Grand Total	27.75	24.57	15.23	(9.33)	100%

Current Account Implications from US Tariffs

Scenario-based analysis suggests Indonesia's trade balance with the US may face substantial pressure. Our projections indicate that under the 19% tariff scenario, Indonesia's trade surplus with the US may potentially narrow significantly to just USD5bn (2023 surplus was USD11.7bn and 2024 surplus was almost USD14bn, per BI data). Assuming the imports of Indonesia from the US on some key import goods, such as on soybeans and related products, are taking an effective 0% rate, the surplus could further narrow to USD4.1bn.

US-ID Trade Balance 2010 - 2026 Estimated (in USDbn) - Export from US increase by 10%

Source: Observatory of Economic Complexity, Bank Indonesia, UOB Global Economics & Market Research

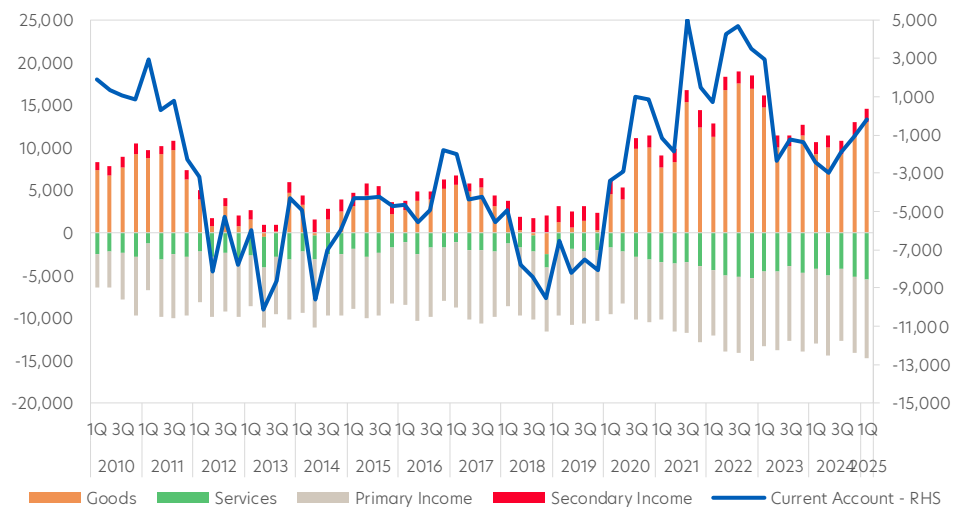


In the end, this narrowing trade surplus may exert pressure on Indonesia's current account deficit (CAD), ceteris paribus, given that on average, the US accounted for one-third of Indonesia's trade surplus over the past few years. BI expects CAD this year to remain relatively manageable within the range of 0.5-1.3% of GDP despite global uncertainty and challenges.

However, we believe that given risks of reduced surplus in goods and services trade, our 2025 CA deficit forecast of 1% of GDP is revised to 1.5%, and up to 2.1% of GDP for 2026. Historical precedent suggests that the rupiah typically depreciated during times of widening CAD. This may complicate chances of further easing by BI. We therefore keep our 2025 BI rate forecast to remain unchanged at its current level of 5.25% and only to resume cutting in 1Q26.

Current Account Indonesia 2010 - 1Q2025

Source: Bank Indonesia, UOB Global Economics & Market Research



Our Forecast

%	01 Aug	3Q25	4Q25	1Q26	2Q26
BI Rate	5.25	5.25	5.25	5.00	5.00

Source: Global Economics & Markets Research (as of 01 Aug 2025)

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