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The Impact of Trump's Import Tariff Policy: How is the Condition of the Disparities in Abnormal Returns and Stock Trading Volumes in Indonesia?

ABSTRACT

This study aims to examine the differences in abnormal returns and stock trading volumes before and after the announcement of the import tariff policy by the President of the United States, Donald Trump. The import tariff policy implemented by President Trump on April 2, 2025, has triggered global trade tensions, particularly between the United States and its trading partners. This protectionist policy not only impacts the international trade sector but also influences financial market sentiment in various countries, including Indonesia. The fluctuations resulting from this policy have the potential to generate abnormal returns as well as unusual changes in stock trading volumes. The population in this study consists of 17 companies from the textile industry listed on the Indonesia Stock Exchange. The sampling technique used is saturated sampling, meaning that the entire population is taken as the sample for the study, with an event window of 8 days before and 8 days after the announcement of the import tariff policy by President Donald Trump on April 2, 2025. The data analysis method employed is the paired sample difference test. The results indicate a difference in abnormal returns in the periods before and after the announcement of the import tariff policy. Conversely, no difference was found in stock trading volumes before and after the tariff announcement. The import tariff policy announced by President Donald Trump has a complex impact on financial markets and the economy by influencing investor risk expectations, reflected in changes in abnormal returns resulting from increased import costs and disruptions to global supply chains, thereby causing market volatility despite no changes in trading volume. This suggests market anticipation or the influence of other more dominant economic factors, while macroeconomically, the policy can slow growth, alter international trade patterns, and trigger protectionism, which generates long-term uncertainty for market participants and textile industry companies listed on the Indonesia Stock Exchange.

Keywords: abnormal return; stocks; trading volumes; trump import; textile industry

INTRODUCTION

The latest policy regarding import tariffs set by President Donald Trump since the beginning of his term in 2025 has had a significant impact on the global economy. This policy, announced on April 2, 2025, aims to protect the U.S. domestic industry by increasing tariffs on imported goods from certain countries, including Indonesia. This move not only affects trade relations between the U.S. and its trading partners but also has widespread implications for financial markets around the world. Trump's import tariff policy has created uncertainty in global markets and triggered a chain reaction in the form of abnormal returns and trading volume changes. Such policies generate tension in international trade

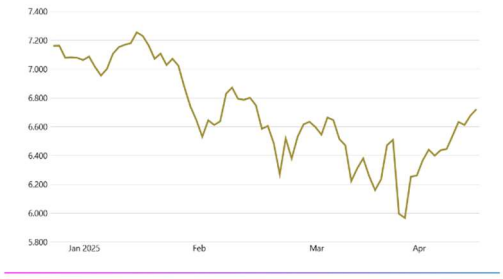
relations, leading to abnormal return fluctuations across various stock exchanges. This uncertainty often causes investors to respond quickly to news related to trade policies, affecting their investment decisions (Franston & Amna, 2025; Martins & Cró, 2024). The imposition of import tariffs by Trump on several countries, including Indonesia, is detailed in Table 1.

Table 1. Trump's Import Tariffs Imposed on April 2, 2025

Country	Imposition of Import Tariffs	US Reciprocal Rates
Tiongkok	67%	34%
Taiwan	64%	32%
Jepang	46%	24%
Indonesia	64%	32%
Malaysia	47%	24%
Kamboja	97%	49%
India	52%	26%
Pakistan	58%	29%
Turki	10%	10%
Sri Lanka	88%	44%
Kolombia	10%	10%
Singapura	10%	10%
Uni Eropa	39%	20%
Vietnam	90%	46%
Korea Selatan	50%	25%
Thailand	72%	36%
Swiss	61%	31%
Inggris	10%	10%
Afrika Selatan	60%	30%
Brasil	10%	10%
Bangladesh	74%	37%
Israel	33%	17%
Filipina	34%	17%
Australia	10%	10%

Source: Alvinta (2025)

Based on Table 1, the import tariff regulations imposed by President Donald Trump on several countries have significant impacts and important objectives. These regulations aim to protect domestic companies in the U.S. from unfair competition, reduce the trade deficit with other countries, and pressure partner nations to open broader market access for U.S. products while supporting renegotiations to achieve balanced trade agreements (Alvinta, 2025). While these measures may positively benefit the U.S., the trading of stocks in Indonesia, particularly on the Jakarta Composite Index (IHSG) at the Indonesia Stock Exchange (BEI), has faced severe negative impacts on the sustainability of various commodities in Indonesia. The graphical representation of the IHSG following the announcement of the import tariffs by President Trump is presented in Figure 1.



Source: Databoks (2025)

Figure 1. IHSG Condition from January 2 to April 28, 2025

In Figure 1, it is evident that when Trump announced the import tariffs, there was an extreme decline on April 2, 2025, coinciding with the Eid al-Fitr holiday. This situation represents a direct effect of the 32% reciprocal tariff policy on

imported products from Indonesia. After the market reopened, the IHSG began to rise again following the temporary cancellation of Trump's tariff increase announcement. The sector most significantly impacted by these tariffs is the manufacturing sector, particularly the textile industry. Companies producing clothing and footwear, which typically sell their products to the U.S. market, are likely experiencing a decrease in demand. Additionally, this situation signals uncertainty that may hinder production and distribution planning for their outputs (Muhamad, 2025; Alvinta, 2025).

Abnormal return refers to the difference between the actual return of an asset and the expected return predicted based on a specific market model or benchmark (Guedes et al., 2024). In the context of Indonesia, abnormal return disparities can arise from the direct impact of U.S. foreign policy on companies in the textile industry listed on the Indonesia Stock Exchange (BEI). Companies with high exposure to exports to the U.S. or those reliant on imported raw materials from affected countries experience greater fluctuations in stock prices compared to other companies. This situation leads to increased difficulties and financial losses due to the policy, resulting in lower and steeper abnormal returns (Mantulangi et al., 2024; Mutiah et al., 2024; Negara et al., 2024).

Stock trading volume serves as an important indicator for assessing market liquidity and investor interest in an asset (Mantulangi et al., 2024; Mulyono & Fitriani, 2024). Trump's import tariff policy can lead to an increase in trading volume as investors seek to adjust their portfolios in response to the new market conditions. Following announcements related to changes in tariff policies, there is a significant spike in trading volume on the Indonesia Stock Exchange (BEI) as a reaction to this new information (Romadhon & Septiyanti, 2024; Mustofa & Widodo, 2024; Trisnaningsih & Ayu, 2024).

In the context of abnormal returns and stock trading volume during the implementation of Trump's import tariff policy, changes in investor behavior, risk perception, and a decline in confidence regarding economic stability occur. Therefore, the reactions of abnormal returns and trading volume both before and after the implementation of this policy become urgent topics for further study.

Based on the background of the issues presented earlier, the research problem formulated in this study is whether there are differences in abnormal returns and stock trading volume before and after the announcement of the import tariff policy established by President Donald Trump.

RESEARCH METHODS

This research focuses on companies within the textile industry listed on the Indonesia Stock Exchange (BEI) during the event window of 8 days before and 8 days after the announcement of the import tariff policy implemented by President Donald Trump on April 2, 2025. Utilizing

secondary data, the information is sourced from the BEI.

The population for this study includes all companies in the textile industry registered on the BEI. To ensure the completeness of the research, the sampling method employed is census, where all elements within the population are taken as the research sample. This includes the event window of 8 days before and 8 days after the announcement of the import tariff policy, resulting in a total of 17 companies.

In this research, there are only two independent variables: abnormal return and stock trading volume. This study will conduct a comparative test, focusing solely on these variables under two different conditions: before and after the announcement of the import tariff policy by President Donald Trump. The abnormal return variable is calculated and measured using the Cumulative Abnormal Return (CAR) proxy, while the stock trading volume variable is assessed through the Trading Volume Activity (TVA) proxy. Based on the explanation of the data type, observation period, and variables used, this research will employ a paired sample t-test for data analysis. Before conducting the paired sample t-test, a normality test must be performed to determine whether the analysis will use parametric or non-parametric statistical tests. If the research data meets the normality test criteria, the analysis will proceed using the paired sample t-test, which is a parametric statistical method. However, if the research data fails to meet the normality requirements, the analysis will continue with a non-parametric statistical method using the Wilcoxon signed-rank test. The analysis and data testing will be conducted using IBM SPSS 27 software.

RESULT AND DISCUSSION

The descriptive statistics results from the research, which included a sample of all 17 companies in the textile industry listed on the BEI, were analyzed over the event window of 8 days before and 8 days after the announcement of the import tariff policy by President Donald Trump on April 2, 2025. The study focused solely on the independent variables, namely abnormal return and stock trading volume. Detailed descriptive statistics for these variables are presented in Table 2.

Table 2. Descriptive Statistics Results Before and After the Announcement of Trump's Import Tariff Policy

	N	Minimum	Maximum	Mean	Std. Deviation
CAR_Before Trump Import Tariff	17	.0107	.0418	.024694	.009249
CAR_After Trump Import Tariff	17	.0084	.0357	.020271	.008305
TVA_Before Trump Import Tariff	17	550000	1720000	877647.0588	294756.88
TVA_After Trump Import Tariff	17	560250	1730750	867270.5882	303358.49
Valid N (listwise)	17				

Source: Research Data, 2025

In Table 2, the descriptive statistics results for abnormal return and stock trading volume before and after the announcement of the import tariff policy by President Donald Trump are presented.

Looking at the abnormal return before the announcement of the import tariff, the average (mean) value is 0.024694, which is greater than the standard deviation of 0.009249. The highest abnormal return recorded is 0.0418 (4.18%), while the lowest is 0.0107 (1.07%). The average (mean) abnormal return before the announcement of the tariff policy being higher than the lowest value indicates that the mean abnormal return from the sample is substantial.

For the period after the announcement of the import tariff policy, the average (mean) abnormal return is 0.020271, which is greater than the standard deviation of 0.008305. The highest abnormal return during this period is 0.0357 (3.57%), and the lowest is 0.0084 (0.84%). The average (mean) abnormal return after the announcement being higher than the lowest value also signifies that the mean abnormal return for the sample remains significant.

The stock trading volume before the announcement of the import tariff policy has an average (mean) value of 877,647.0588, which is greater than the standard deviation of 294,756.88. The highest stock trading volume during this period reached 1,720,000, while the lowest was 550,000. The average (mean) stock trading volume before the announcement of the tariff policy being higher than the lowest value indicates that the mean stock trading volume for the sample is substantial.

After the announcement of the import tariff policy, the stock trading volume has an average (mean) value of 867,270.5882, which is greater than the standard deviation of 303,358.49. The highest stock trading volume during this period was 1,730,750, and the lowest was 560,250. The mean stock trading volume after the announcement being higher than the lowest value also signifies that the mean stock trading volume for the sample remains significant.

The next step in this research is the normality test. The normality test is conducted to determine or select the paired sample test using either parametric or non-parametric statistical methods. The normality test in this study is performed using the Kolmogorov-Smirnov test, which is presented in Table 3.

Table 3. Kolmogorov-Smirnov Normality Test

			CAR_Before Trump Import Tariff	CAR_After Trump Import Tariff	TVA_Before Trump Import Tariff	TVA_After Trump Import Tariff
N			17	17	17	17
Normal Parameters[a,b]	Mean		.024694	.020271	877647.058	867270.588
	Std. Deviation		.0092498	.0083056	294756.878	303358.488
Most Extreme Differences	Absolute		.144	.122	.138	.156
	Positive		.144	.122	.138	.130
	Negative		-.093	-.110	-.133	-.156
Test Statistic			.144	.122	.138	.156
Asymp. Sig. (2-tailed)[c]			.200[d]	.200[d]	.200[d]	.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.443	.711	.512	.319
	99% Confidence Interval	Lower Bound	.431	.700	.499	.307
		Upper Bound	.456	.723	.525	.331

Source: Data processed by SPSS, 2025

Based on Table 3, the normality test concludes that the data in this study meets the normality requirement because the obtained significance probability is greater than 0.05. Since the normality test is satisfied, this research will use

parametric statistical methods for the paired sample t-test. The results of the paired sample t-test are presented in Table 4.

Table 4. Paired Sample T-Test Results

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1	CAR_Before Trump Import Tariff - CAR_After Trump Import Tariff	.0044235	.0012296	.0002982	.0037913	.0050557	14.833	16	.000
Pair 2	TVA_Before Trump Import Tariff - TVA_After Trump Import Tariff	10376.470	7261249	17611.117	-26957.431	47710.372	.589	16	.564

Source: Data processed by SPSS, 2025

Table 4 presents the results of the paired sample t-test. The testing of the first hypothesis (H1), which examines the difference in abnormal return before and after the announcement of the import tariff policy, shows a significance probability of 0.000. This indicates that there is a significant difference in abnormal return before and after the announcement of the import tariff policy by President Donald Trump for companies in the textile industry listed on the BEI.

This difference in abnormal return reflects the market's reaction to the protectionist policies implemented by President Trump, particularly the imposition of import tariffs on textile products. On a global scale, the announced import tariff policy triggers uncertainty and alters the dynamics of international trade. For the Indonesian textile industry competing in the global market, this announcement can have both positive and negative effects.

The positive effects of the import tariffs set by President Trump on foreign products may open market opportunities for U.S. domestic products, potentially reducing textile exports from Indonesia to the U.S. Conversely, the negative impact creates trade tensions that may encourage investors to engage in speculative reactions, observable through fluctuations in stock prices.

The results of this research support and align with the findings of Negara et al. (2024) and Mantulangi et al. (2024), while contradicting the results of the study conducted by Trisnaningsih & Ayu (2024). All three studies were conducted under two different conditions according to the research objects involved.

The testing of the second hypothesis (H2), which examines the difference in stock trading volume before and after the announcement of the import tariff policy, shows a significance probability of 0.564. This indicates that there is no significant difference in stock trading volume before and after the announcement of the import tariff policy by President Donald Trump for companies in the textile industry listed on the BEI.

This finding suggests that the announcement of the import tariff policy did not trigger significant changes or have a substantial impact on stock trading activity in the textile sector in Indonesia.

This occurs because, despite the significant stock price reactions (abnormal returns), not all major news or policies immediately affect transaction volumes significantly. Although the announcement of U.S. import tariffs influences perceptions of stock value, investors may not feel compelled to engage in massive buying or selling actions, resulting in relatively stable trading volumes. Therefore, changes in foreign policy that impact stock prices are not sufficient reasons to significantly increase transaction volumes.

The results of this research align with and support the studies conducted by Negara et al. (2024), Trisnaningsih & Ayu (2024), and Mantulangi et al. (2024). All three studies focus on the variable of abnormal return and were conducted under two different conditions according to the research objects involved.

The findings of this research align with the broader literature on the impact of tariff policies on stock markets, particularly in the context of Trump's tariff policy. Yilmazkuday (2025) discusses how U.S. tariffs influence stock prices, indicating that such policies can lead to significant fluctuations in market valuations. This supports the observation in the current study that the announcement of the import tariff policy resulted in notable changes in abnormal returns for companies in the textile industry.

Furthermore, He, Lucey, and Wang (2021) explore the effects of trade policy uncertainty on the stock market during the China-U.S. trade conflict. Their findings suggest that uncertainty surrounding trade policies can lead to increased volatility in stock prices, which resonates with the results of this research. The significant abnormal returns observed following the announcement of Trump's tariff policy may reflect the market's reaction to the uncertainty and potential risks associated with such protectionist measures.

Gaies (2025) provides additional insights into the asymmetric effects of tariffs on stock prices, highlighting that different sectors may respond variably to tariff announcements. This notion is relevant to the current study, as it emphasizes that while the textile sector experienced significant changes in abnormal returns, the overall trading volume remained stable. This suggests that market participants may have assessed the risks differently across sectors, focusing more on the immediate implications for stock prices rather than on trading activity.

From the perspective of capital market theory, stock price reactions (returns) and trading volume can respond differently to information (Karpoff, 1987). Stock prices tend to react more quickly to news, while trading volume may take longer to change or be influenced by other factors before showing significant variation. Stock trading volume also serves as an indicator of liquidity and investor interest (Amihud & Mendelson, 1986). If information or policies are not perceived as significantly altering risk or income prospects, trading volume may not change significantly.

CONCLUSION

The research results indicate a disparity in abnormal return before and after the announcement, while no difference was found in stock trading volume during the same periods surrounding the announcement of Trump's import tariff policy. This study suggests that the announcement of President Donald Trump's import tariff policy triggers significant changes in abnormal return, while stock trading volume remains consistent. This implies that the market reaction is more focused on risk assessment rather than changes in trading activity.

This research has limitations due to its focus solely on companies in the textile industry listed on the BEI, which means the findings may not be generalizable to other sectors or stock markets in different countries. Additionally, the use of an event window of 8 days before and 8 days after the announcement of the import tariff policy restricts the analysis of its long-term impact. Other variables that could potentially influence abnormal return and trading volume were not analyzed in depth. Therefore, future research is encouraged to expand the sample scope by including various industrial sectors to obtain a more comprehensive picture. It is also advisable to consider macroeconomic variables and other risk factors to enhance the depth and holistic nature of the analysis.

REFERENCES

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