

# Global Economic Risk Still High

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World economy has shown growth as seen in the increased price of commodities. This also happens in Indonesia with better economic condition. “Indonesia economy is improving, supported by domestic demands that are still strong and increased exports and investments,” said Deputy Governor of Bank of Indonesia, Perry Warjiyo, Ph.D., on Friday (24/2) in the MM Auditorium UGM.

Giving a public lecture entitled *Policy Challenges and Direction Outlook 2017*, Perry said despite the increased export commodities, some global risks still need to be monitored. The Bank of Indonesia keeps on alert on some risks due to economic uncertainties or global economy.

“The Bank of Indonesia should always be on alert against global risks, particularly related to US policy and European geopolitics,” he said.

Perry said the plans for fiscal expansion and tight monetary may strengthen the US currency and speedier rate adjustments. Meanwhile, plans to relax financial regulation in the US can increase the risk for the stability of global financial system.

“Protectionism of US trade will exacerbate the global uncertainties,” said the alumnus of Faculty of Economics and Business UGM.



Domestically, we need to be on alert against pressures to the rupiah by global factors. So is inflation pressure due to administered prices and volatilities of foods, in addition to optimisation of monetary transmission and stability of financial system.

“Thus, the policy direction of the Bank of Indonesia is focused on maintaining stability and enhancing economic recovery potential,” he said.

Apart from Perry Warjiyo, the public lecture also presented member of parliament, M. Prakosa., who discussed the state budget 2017.

According to Prakosa, the state budget 2017 as a fiscal stimulus to achieve the target in economic growth of 5.1 percent this year faced some challenges. The main fiscal challenges is on taxation, which is high tax returns that are not aligned with tax real growth.

“Tax as source of income is targeted to grow by 27 percent. Meanwhile, tax real growth between 2015-2016 was only under 10 percent,” he said.

Tax ratio to gross domestic products in the past 10 years was stagnant at 11 percent. This is considered small so the main source for funding the state budget was not maximum. One of the factors that affects the stagnant condition is the underperformance of the tax directorate general to obtain taxes, or just 42-47 percent of total tax potential. “It is not easy for the government to achieve the tax target in 2017,” he said.

In his opinion the government needs to adjust the budgeting on the strategy that is based on assumptions of returns or strategy focusing on spending aspect.

“The option to take is budget reduction or deficit widening,” he said.

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