Good Day Honorable Chairperson, Senator Kenneth L. Gittens and members of the Committee on Economic Development and Agriculture testifiers, listening and viewing audience. My name is Donnie E. Dorsett, Senior Policy Analyst, and representative for the Bureau of Economic Research. The Bureau of Economic Research (BER) was asked by this committee to give testimony on an update of the Territory’s economy, Tourism data and the impact of COVID-19 (coronavirus) pandemic on the economy. Therefore, my testimony will consist of a PowerPoint Presentation providing historical and statistical data on selected areas of the Territory’s Gross Domestic Product, the Tourism and Employment sector, and an online selected business survey. The data provided was done by the Territory’s fiscal year calendar. Please note, in some cases we also provide the data by calendar year.

**Gross Domestic Product-Slide 3**

- Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

- Historically, Tourism and export of refined petroleum products contributed largely to the Territory’s GDP.

- In 2012, the Territorial GDP fell an estimated 15.0 percent due to the closure of the HOVENSIA refinery operations in February 2012.
• The increase of 1.2 percent in calendar year 2016 was due to Tourism and the Limetree Bay Terminal storage of oil. A 0.6 decline in 2017 was due to the impact of Hurricanes Irma and Maria.

• The recent increase in 2018 of 1.7 percent is due to an uptick in federal funding related to disaster recovery.

• In the absence of selected 2019 GDP data, the bureau is estimating 1.7 percent growth in 2019 due to continued federal disaster related funding and a 14.2 percent drop in calendar year 2020 due to the loss Tourism Arrivals.

• The recent announcement of Limetree Bay Refinery to commence the production of refined petroleum products, would greatly benefit the Territory’s GDP estimates.

**Total Visitor Arrivals-Slide 4**

• Total Visitor peaked at 2.7 million in Fiscal Year 2014.

• Total Visitor Arrivals for FY 2020 was 1,342,229 from 2,104,546 a decline by 33.4 percent.

**Air Arrivals by District-Slide 5**

• In FY 2016, Air Arrivals peaked at 794,935 the increase in arrivals is partly due to the Department of Tourism and its partners providing traveler promotions and additional flights during the 2015-2016 winter season.

• The COVID-19 pandemic affected air arrivals to the Territory. The Thomas-St. John district air arrivals for fiscal year 2020 was 343,517 declined by 27.0 percent in comparison to 470,519 in FY 2019. The island of St. Croix experienced a 40.3 percent
decrease from 167,357 to 99,892. Overall, total air arrivals waned by 30.5 percent from 637,876 to 443,409.

- For FY 2021, total air arrivals are down an estimated 15.1 percent from 148,148 to 125,707. For the island of St. Croix air arrivals decreased by 25.1 percent from 34,877 to 26,115. The St. Thomas-St. John district fell by 12.1 percent from 113,271 to 99,592.

**Cruise Arrivals by District Slide 6**

- FY 2014 Cruise passengers for the Territory peak at 2,054,625

- The lower cruise arrivals in FY 2018 were partly due to effects of Hurricanes Irma and Maria.

- In FY 2019, overall cruise arrivals rose by 24.7 percent

- In FY 2020, we welcomed 898,820, due to the COVID-19 pandemic. This represents a 38.7 percent decline.

- The projected direct economic loss to cruise passenger arrivals for first quarter of FY 2021 is $118,174,314.

**Selected Air Arrivals from Competing Destinations 2016-2019- Slide 7**

- The slides listing of destinations were completed in conjunction with the Department of Tourism. Puerto Rico, St. Maarten, and the U.S. Virgin Islands were affected by Hurricanes in 2017. In calendar year 2019, Puerto Rico air arrivals rose by 27.7 percent, while St. Maarten and the USVI rose by 80.0 percent and 30.5 percent, respectively.
Selected Cruise Arrivals from Competing Destinations 2016-2019-Slide 8

- Similarly, in cruise arrivals data on Puerto Rico rebounded by 7.6 percent, the island of St. Maarten by 2.2 percent, and U.S. Virgin Islands grew a modest less than one percent.

Major Carriers Direct 2019-2020-Slide 9

- The second quarter of the calendar year 2020 fell to 45.3 percent averaging 7,320 from 13,380 reported during the same period in 2019.

- The last quarter of 2020 saw an increase of direct seats to the Territory averaging percent over last quarter of 2019. The uptick of direct seats were due to the Department of Tourism marketing initiatives and the additional and seasonal flights returning to the Territory.


- Major Carrier Flights are projected to remain in first quarter of 2021 at 7.8 percent in comparison to first quarter 2020. April forecast of average direct seats are to be at 22,254 compared to the 7, 865 in 2020.

Guest Registrations-Slide 11

- USVI Guest Registrations totaled FY 2020 352,417.

- Preliminary, 72,380 Guest Registrations for the first quarter of Fiscal Year 2021.
Prior to COVID-19, the USVI could have reasonably received an average 958,213 cruise passenger arrivals for the first six months of calendar year 2021.

The projected direct economic loss to cruise passenger arrivals for the first 6 months of calendar year 2021 is $240,511,463.

For the first quarter Fiscal Year 2021 Hotel Room Revenues are down approximately 65.1 percent.

Airbnb room tax collections for the first quarter FY 2021 rose 65.2 percent.

2019 Tourism Expenditures is $1.0 billion

Local non-agriculture industries employment peaked at 38,129 in fiscal year 2017, during this time economic indicators for the Territory had improved prior to Hurricanes Irma and Maria.

The drop in non-agriculture in employment to 13.1 percent in fiscal year 2018 is due to loss of employment in leisure and hospitality, retail sector, and other services due to the 2017 Hurricanes.

The employment rose to 6.3 percent in fiscal year 2020 compared to fiscal year 2019.

The first quarter of fiscal year 2021 employment was at 1.1 percent a reported 35,985 in comparison to 36,396 first quarter of fiscal year 2020.
Percent on Non-Agriculture Jobs, 1st quarter fiscal year 2021-Slide 16

- Government-consisting of both local and federal public sector jobs is at 37 percent. A drop in public sector percentage rate is expected in the 2nd quarter of fiscal year 2021, due to closure of activities related to the USVI Census 2020.

- Leisure and Hospitality fell to 16 percent due to the loss of larger accommodation establishments due to Hurricanes Irma and Maria.

- Construction has risen over the last three years to 9 percent. Primarily due to disaster recovery related construction. This sector normally averages at 4 percent.

Unemployment Rate-Slide 17

- Unemployment Rate has begun an uptick in both districts. Partly due to several businesses experiencing financial hardships due to the COVID-19 pandemic.

- The St. Croix unemployment rate in FY 2020 is 7.4 percent, St. Thomas-St. John unemployment rate is 8.1 percent. Overall, unemployment rate is at 8.4 percent.

- Please note the U.S. mainland state governments and international jurisdictions are facing similar socio-economic hardships.

- First quarter FY 2021 average unemployment rate are as follows: St. Thomas-St. John district 10.0 percent, The St. Croix district rate is 7.9 percent and Territorial rate is 9.0 percent.
COVID-19: Business Survey Online-Slide 19

The Bureau of Economic Research in conjunction with the Office of Management and Budget launched a selected online survey in January 2021 for purposes of gathering information on effects the pandemic has on the Territory’s businesses.

Which businesses are most impacted?

- Most impacted are the travel and transportation industry, hotels, restaurants, retail, and tourist attractions.

How is the pandemic impacting business operations?

- About 51% of businesses were strongly affected by the COVID-19 pandemic, 33% saw a moderate effect, 14% were slightly affected, and 2% were not impacted.

- Temporary shutdown, increased administrative bottlenecks, and clients not paying bills significantly impacted these businesses.

Are businesses at risk of closing permanently over the coming months?

- Few businesses were concerned about having to close permanently as 72% said business closure was not imminent.

- However, 8% of small businesses may be at risk of closing permanently in 3-5 months, and 18% are at risk of closure in the next 6-12 months.

What strategies are businesses taking to cope in the face of the pandemic?

- Temporary reduction in employment, telework, employee layoffs, and applying for PPP funding and EIDL loans were the top coping strategies.
Economic Review and Outlook-Slide 20

The Bureau of Economic Research collected data from Government Employees Retirement System. Based on the information provided, many of the beneficiaries ages range between 67-75. In some cases, over 81 years of age. A large percentage of the beneficiaries residence within the Territory. If the retires’ benefits are reduce there are two socio-economic scenarios:

- The retirees may relocate to a lower cost of living area.
- The reduction of monthly wages may caused the retirees to seek additional assistance from social programs available in the Territory or in the United States.

Diversity and Resiliency

- The CDBG-DR program allows the Territory to reshape its economy.


- The local Economic Development Authority Vision 2040 plan to chart a 20 policy towards socio-economic development of the Territory.

- The recommended outlook of the studies is to provide development economic policies or enabling legislation to foster well being of the Territory and its residents.

This concludes my presentation and the Bureau thanks the Committee on Economic Development and Agriculture for the opportunity to provide testimony.