

# United States Virgin Islands Economic Conditions Bureau of Economic Research

January 2014

## Economic Highlights

*Increased tourism marketing and added 20,000 airline seats to the Territory.*

*Government tax revenues were up 6 percent for Fiscal Year 2013. Corporate taxes up 37 percent as individual income taxes down 2 percent.*

*Total employment slipped by 9 percent in 2013, initial claims declined by 6 percent.*

*Employment increased in the information service sector in 2013, declined in tourism, professional and business, accommodation and food sectors.*

*Total GDP exports of goods including the value of refined petroleum reached over \$13 billion in 2011 before declining to \$2 billion in 2012.*

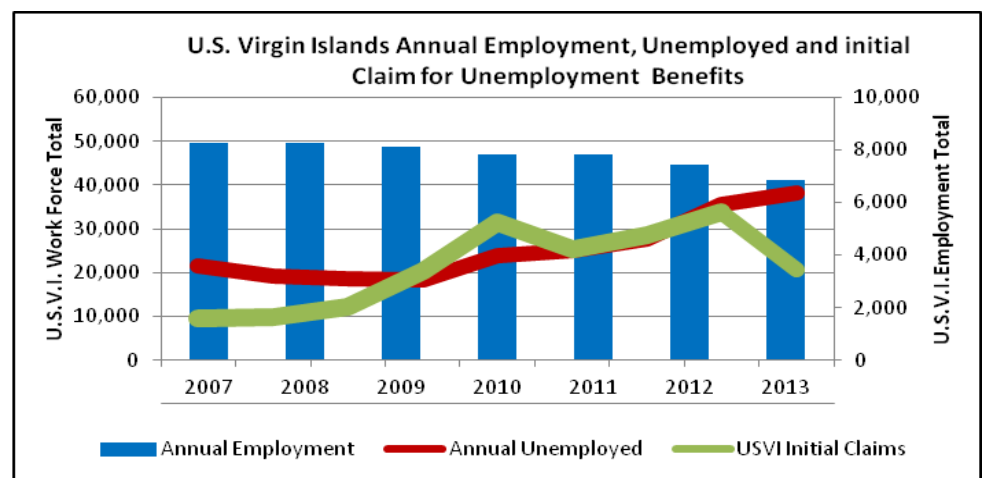
*The civilian employment averaged 42,296 for the first two quarters of the year.*

*The Territory's annual unemployment rate is 13.4 percent. The rate for St. Thomas/ St. John is 11.8 percent and 15.1 percent for St. Croix for 2013.*

*A total of 2,649,600 visitors came to the Territory in Fiscal Year 2013 - 704,076 air visitors and 1,945,524 for cruise passenger arrivals.*

## Economic Overview

While tourism continues to improve, current economic conditions are inhibited by decline in employment as the unemployment rate for the U.S. Virgin Islands reached 13.4 percent in 2013, as approximately 6,000 workers remain unemployed as of January 2014. Before the HOVENSA refinery closure in early 2012, the annual unemployment rate was 9 percent and has risen on an annual basis in the Territory. As U.S. economic conditions continue to recover from the aftermath of the Great Recession, tourism and business investment conditions will continue to alleviate the high unemployment level. Employment conditions may be improving in the current year as initial claims for unemployment benefits by local unemployed workers has declined to its lowest level in 5 years in the Territory as shown in the table below.



For St. Croix, as a direct result of the refinery closure, unemployed workers on the island continue to bear the major economic brunt of the loss in employment in the Territory. The unemployment rate for St. Croix is 14.2 percent, as reported by the Virgin Islands Department of Labor. While the rate of unemployment for St. Croix is well below the January 2013 peak, over 3,000 unemployed workers are seeking jobs as others are discouraged, having dropped out of the workforce.

As the unemployment rate remains elevated, potential employment opportunities become scarce as overall economic activity remains at a standstill, given that current economic indicators show mixed performance as the Virgin Islands economy progressed slightly in

2013. While tourism, business and information services sectors are experiencing growth, the refinery closure continues to devastate the manufacturing sector. Having commenced the sale process, the sale and reopening of the refinery would provide employment opportunities for St. Croix workers.

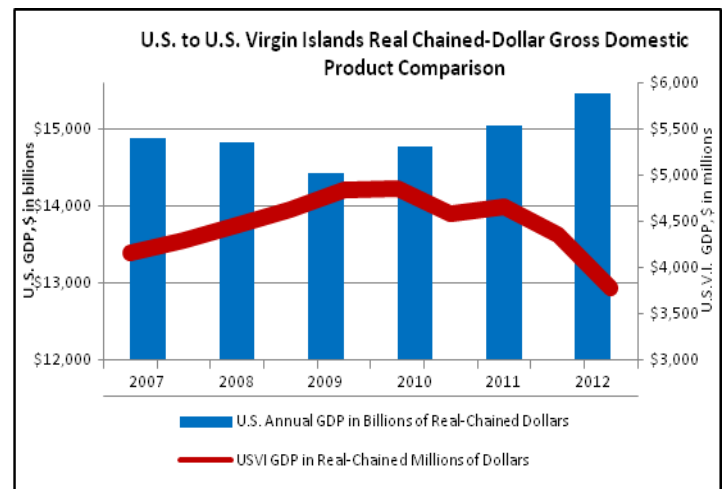
## Economic Summary and 2014 Outlook

As unemployment continues to plague the Virgin Islands due to the refinery closure and seasonal factors, economic growth declined as real or price adjusted Territorial Gross Domestic Product ("GDP") decreased 6.6 percent in 2011, with a 13.2 percent decline in 2012, estimated by the U.S. Department of Commerce's Bureau of Economic Analysis ("BEA"). The decline in the economic growth reflected decreases in refined petroleum product exports and local government spending. The decrease in government spending is reflective from the reduction in tax revenues resulting from the St. Croix refinery closure combined with the weak U.S. economic recovery.

Economic uncertainty associated with tourism, trade and manufacturing dominated for most of 2013 and is continuing into 2014. The operational status of the HOVENSA oil refinery, high energy costs and the availability of gasoline perpetuates uncertainty. These concerns along with global economic, financial and geopolitical challenges have a significant impact on economic conditions in the Territory. While many of these concerns are being addressed, the Virgin Islands economy, despite recent indications of improved economic conditions in the U.S., will continue to exhibit tempered economic growth conditions in 2014. The table below illustrates the annual economic and tourism indicators summary for the Territory since 2008 and estimated for 2013:

2013 U.S. Virgin Islands Annual Economic & Tourism Summary						
Income and Earnings (CY, millions of dollars unless noted otherwise)						
	2008	2009	2010	2011	2012	2013E
Gross Domestic Product	4,266	4,262	4,426	4,356	4,233	4,253
Gross Domestic Product, Real	4,851	4,583	4,660	4,351	3,778	3,796
Personal Income	2,658	2,569	2,722	2,648	2,446	2,492
Per Capita Personal Income (\$)	\$22,947	\$23,931	\$25,580	\$25,001	\$23,202	\$23,314
Population (Thousands)	116	107	106	106	105	105
Per Capita GDP, Real (\$)	\$41,872	\$42,695	\$43,795	\$41,084	\$35,843	\$36,084
Employment (number of jobs)	49,589	48,863	47,272	46,121	44,659	41,225
Unemployment Rate (percent)	5.9	7.6	8.1	8.9	11.7	13.4
Total Arrivals (Thousands)	2,435	2,247	2,551	2,688	2,642	2,719
Cruise Passengers (Thousands)	1,757	1,582	1,859	2,009	1,908	1,999
Air Visitors (Thousands)	678	664	692	679	736	720

Territorial GDP is estimated in both current or nominal and real or chained values. Real GDP is the broadest view of an economy's output, as it adjusts for rising price levels experienced here in the Virgin Islands and determines the changes in the volume of business activity in the economy. The chart below compares real Territorial GDP with the U.S. GDP since 2007.



Territorial Gross Domestic Income estimated by BEA is composed of employee compensation or income received by wage earners estimated by the Labor Department. Worker compensation is used to derive personal income, which is income received by individuals; excluding corporate profits and social security taxes, but including transfer payments (like Social Security), interest and dividends. Disposable income is personal income, net of personal income taxes, used for spending or saving. For 2012, personal income decreased by 7 percent from 2011, as the income from terminated manufacturing and government workers vanished from the islands' economy.

While economic growth attributed to tourism, trade, business and service sectors stagnated in 2013, economic conditions are anticipated to improve in 2014. Economic growth in 2014 will be slow and uneven depending on the sale and

potential reopening of the oil refinery, combined with issues related to U.S. economic conditions, local energy costs and supply availability. The potential energy cost reduction proposed by the Virgin Islands Water and Power Authority propane conversion, the expansion of online global opportunities of Virgin Islands Next Generation Network ("viNGN") and ongoing business activity generated by the Virgin Islands Economic Development Authority are mandated to increase economic growth and development.

From an economic perspective, unemployment negatively impacts the Government's ability to generate revenues and tends to reduce economic activity over time. As unemployment remains high, unemployment benefits and public assistance programs help unemployed workers, but fewer people are paying taxes. As a result, fewer people have disposable income to spend on goods and services. Low consumer spending provides difficulty for businesses to thrive and expand, thus hampering economic growth.

Considerable time and effort is required before the Virgin Islands economy resumes a normal economic growth path and some resemblance of full employment is achieved. A number of factors continue to restrain economic conditions, not the least of which is uncertainty associated with anticipated growth of the U.S. economy, the major partner for tourism, trade and investment.

Additionally, the Government's budget shortfall may place additional pressure on public and private sector spending. The Government faces significant budget shortfalls in Fiscal Year 2014 resulting from lower revenues and additional expenditures. To close the funding gap, the legislature must enact legislation to ensure the territory overcomes the current fiscal challenges and position the economy along a consistent, sustainable, and resilient economic growth path.

Until job generating projects are implemented, the territory's unemployment rate will remain

elevated in 2014. The current economic outlook for the Virgin Islands in 2014 is limited economic output, limiting employment growth as economic uncertainty continues as global economies adjust to the post-recession environment. Despite news of revised forecasts of stronger global economic growth in 2014, unless policies or programs are enacted or implemented locally to encourage economic growth and development, economic growth is not projected to return until 2015.

## **Industry Sector Activity and Labor Market Conditions**

### **Tourism Industry**

Despite an impressive 9 percent growth in air visitor arrivals to the Virgin Islands in 2012, for 2013 air visitor arrivals declined as a result of fewer air visitor arrivals to St. Croix combined with a reduction in air visitor arrivals to the St. Thomas/St. John district. Despite the increase in cruise passenger arrivals to the islands, overall tourism indicators have been tempered by the decline in air visitor arrivals to the territory during the course of the year. While air arrivals were down in 2013, hotel occupancy rates are up slightly as hotel guests stay longer with room revenues improving. Cruise passenger arrivals showed a strong increase in 2013, despite cruise ship calls decreasing by 6 percent.

### **Cruise Passenger and Air Visitor Arrivals**

Tourism showed signs of overall improvement as cruise passenger arrivals increased 4.9 percent in 2013 from 2012. Beginning in low season and continually during the remainder of the calendar year, cruise passenger arrivals increased in 2013, compared to 2012, despite a 6 percent decline in cruise ship calls to the Territory in 2013 from 2012. The increase in cruise passenger arrivals to the Virgin Islands is impressive. In addition, the return of cruise ships to St. Croix during the summer months has added to the tally of cruise

passenger arrivals to the territory and improved the tourism overall performance.

For 2013, the number of visitors to the Territory increased by 3 percent for 2013; 2,723,447 from 2,643,544 for 2012. Air visitor arrivals declined by 4.7 percent in 2013 from 2012, while cruise passenger arrivals increased by 5 percent over the same time period. There were an estimated 702,963 air visitors in 2013, compared to 737,681 last year. There were 1,998,579 cruise passenger arrivals in 2013, compared to 1,904,468 last year.

Overall, visitor arrivals are estimated to continue to perform well during the current season. Both creative marketing and promotional efforts by the Department of Tourism, West Indian Company and the Virgin Islands Port Authority were successful in bringing additional cruise passenger arrival visitors to the Virgin Islands. Up and coming planned promotional initiatives and events will continue to draw more visitors. These include Cultural, Carnival, Festivals, St. Thomas International Regatta, Taste of St. Croix, and other showcase events. The Virgin Islands is featured in Bridal Magazine as a honeymoon destination in its recent Winter 2014 edition. The Department of Tourism (DOT) concluded high level marketing missions to the South Florida area to boost travel to the Territory.

Leveraging the DOT's South Florida marketing partnership, Virgin Islands dancers highlighted the half time performance between the Miami Heat and St. Croix's own Tim Duncan's San Antonio Spurs, entertaining spectators with the color, energy and excitement of Virgin Islands Carnival. Destination ambassadors personally invited spectators to visit at on-site Virgin Islands branded kiosks. Well over fifty industry representatives from shipping, cruise, media, and travel trade companies, meeting/incentive buyers and American Airlines officials attended the event. The department recently hosted a Cruise Shipping Miami conference, formerly known as Seatrade, event attended by 20 cruise

executives, representing seven major cruise lines. DOT and other government entities discussed port development plans, dredging projects, infrastructure improvements and new tourist attractions and activities in both districts. One planned attraction, Baker Berrios Architects is preparing an economic feasibility report for the development of a water adventure park on St. Croix along with plans to conduct an economic feasibility study for a theme park and a Coral Bay marina for St. John.

DOT announced in 2013 that Delta Airlines would not be cutting back flights in the off-season - from August to November - as it typically does. In addition, the airline is adding two flights a week during the winter months and changing a Saturday-only direct flight from John F. Kennedy International Airport in New York to St. Thomas to a daily flight for the upcoming winter season. Delta will also increase its service to St. Thomas with twice daily flights from Hartfield-Jackson Atlanta International Airport, and add a third Saturday service for a total of 15 flights per week from Atlanta. With the addition of 51 new flights with 183 seats, adding 20,000 more seats in that period is a significant increase.

The Tourism Department announced a "Virgin Islands Nice" partnership with local recording artist Pressure and is developing a four-pronged campaign that will go beyond commercials, by incorporating "Nice" packages, to include 'It's Nicer to Dive in the V.I.', 'It's Nicer' romance packages, and 'It's Nicer' family packages to support the hotel industry and other segments of the tourism industry. In addition, DOT will market value-added packages to attract more tourism business during the summer months.

Despite global concerns, U.S. economic recovery continues to stabilize, as both additional cruise passenger arrivals and airline seats to the Virgin Islands indicate potential economic growth in the tourism, trade and related sectors providing employment and business opportunities. DOT

continues to expand its global marketing efforts to increase air arrivals and is working with the West Indian Company and Port Authority to increase cruise ship calls to the Territory, including additional cruise ship calls to St. Croix during the summer months.

WICO announced 416 cruise ship arrivals to the Charlotte Amalie dock from October 2013 to September 2014, bringing an estimated 1.3 million cruise passenger arrivals to the Virgin Islands during the season. The company expects the number of cruise ship arrivals for the current season to increase more than 8 percent from the prior season. The increase in cruise ship calls includes four new ships: the Royal Princess, Dvinia, Carnival Conquest and Norwegian Breakaway. For the current season, 130 cruise ships requested berths at WICO as compared to the 92 cruise ships that berthed last season.

### **Leisure and Hospitality Sector**

Employment in the leisure and hospitality sector declined by under 6% for the first months of 2013, totaling 7,008 compared to 7,439 for the same period last year. For 2012, the number of jobs averaged 7,237 but is currently averaging 6,970 – an annual decrease of approximately 4 percent. The job growth is expected to improve as seasonal employment rebounds in the winter season of 2013-2014.

### **Manufacturing, Natural Resources and Construction Industry**

Until the HOVENSA refinery closure, the overall manufacturing, natural resources and construction sectors contributed a substantial portion of Territorial GDP. The manufacturing sector's strong growth in refined petroleum and rum exports in recent years translated into a huge financial and fiscal contribution to St. Croix's economy, fueling tremendous economic growth. The drop in refined petroleum product exports had a significant impact on the total

value of the Territory's exports and the decline in the estimate of 2012 Territorial GDP.

While the manufacturing sector accounts for less than 5 percent of total employment, the economic loss in the income of high-paying jobs in the sector is significant as personal income declined by over 7 percent in 2012 from 2011. For the first six months of 2013, there was an average of 875 manufacturing jobs, versus 1,957 reported during the same time period in 2012, a loss of a over 55 percent during the 6 month time period.

### **Oil Refinery Sector**

The substantial loss of manufacturing jobs in the Virgin Islands is a result of HOVENSA's closure of its petroleum refinery in 2012. HOVENSA, L.L.C., a joint venture between the Hess Corporation and Petróleos de Venezuela, S.A. (PDVSA) cited a recurring loss of \$1.3 billion from 2008 until the closure, despite efforts to reduce capacity and improve efficiency to boost profitability. The company employed over 2,000 local workers, including both employees and subcontractors. Negotiations continued before the sale process of the refinery was approved by the legislature and enacted in November 2013, at which time HOVENSA employed approximately 100 employees to operate the facility as an oil storage terminal along with subcontractors.

Oil refining once dominated the Virgin Islands manufacturing sector. The refinery processed crude oil globally, although the majority of its crude oil was supplied from Venezuela. The facility was one of the largest and modern oil refineries in the Americas, with crude oil being processed at the height of 495,000 barrels per day (BPD). The refinery operated a Fluid Catalytic Cracking (FCC) unit capable of producing 175,000 BPD of gasoline.

Beginning in 2012, the Governor, working with HOVENSA representatives, drafted provisions for the Fourth Amendment Agreement between

the Government and HOVENSA, which the Legislature initially rejected in August 2013 but ultimately approved in November. The agreement required that HOVENSA retain within 10 days of ratification a reputable investment bank experienced in the sale of oil and gas assets to conduct a bona fide sales process. HOVENSA retained Lazard, a global independent advisory firm, as its sole investment banker. The agreement also required HOVENSA to arrange for the investment bankers to brief the Governor before beginning the process of trying to sell the refinery to "explain the strategy and mechanics of the sales process and to respond to questions posed by the Governor." The agreement requires the investment bankers to provide monthly status briefings after that initial meeting and any time an event occurs, that the bankers consider significant to the sales process.

Refined petroleum products exported to the U. S. and other countries last year included gasoline, kerosene, jet fuel, distillate fuel oils, residual fuels and lubricants. The information for 2013 is being tabulated but roughly \$4.6 billion of refined petroleum products was exported in Fiscal Year 2012 - a 63.8 percent decline from the previous fiscal year. Refined petroleum exports are expected to continue at a lower level, as the facility operates as a storage terminal.

### **Rum Sector**

The rum sector is becoming the manufacturing industry's largest employer and key economic growth producer in the Territory. The Virgin Islands rum sector consists of two major global spirits corporations: Beam, Inc. and Diageo plc. Beam, Inc. is a leading premium spirits company that sells branded distilled spirits in major global markets, manufactures Cruzan and Old St. Croix brand rum as well as bulk shipments for other labels. Cruzan Rum is the fifth-leading premium brand in the United States. Beam, Inc. may merge with Suntory Holdings Limited of Japan. Diageo plc, the world's leading premier spirits,

beer and wine company, initiated plans for the construction and operation of a high-capacity distillery on St. Croix. The distillery began production in 2011, and in 2012 began supplying the rum used to develop all Captain Morgan branded products for the United States market.

Rum produced in the U.S. Virgin Islands is exported to the U.S. primarily in bulk, and sold to local and regional bottlers for resale under a variety of private label and regional brand names. The rum industry has exhibited robust growth. Shipments for 2012, reached 18,576,109 proof gallons compared to 9,170,443 proof gallons for 2011. Preliminary estimates are averaging 20,793,229 proof gallons for 2013, with Diageo plc still producing slightly more than half of all bulk rum sales. As a result of the increased growth, government matching fund revenues should increase by 72 percent in Fiscal Year 2013 to \$64 million compared to \$37 million from the prior fiscal year.

For Fiscal Year 2013, the government received approximately \$193.2 million in rum excise taxes from the federal government, which imposes and collects federal excise taxes on rum produced in the Virgin Islands and exported to the United States. In Fiscal Year 2014, the U.S. Congress did not pass the extender to increase the Virgin Islands rum cover over from \$10.50 to \$13.25.

The outlook for the rum industry is for continued growth. Beam, Inc. is projecting Cruzan annual rum shipments of approximately 11.3 million proof gallons of rum in Fiscal Year 2013, while Diageo plc is projecting 9.1 million proof gallons for the same period. Moreover, the agreements made for marketing and promotion will assist the Territory in being more competitive in this industry, creating employment opportunities.

### **Watch Sector**

Manufactured watch exports continue to decline due to a significant decrease in global sales and

high production costs. Despite local and U.S. trade incentives, the watch industry continues to struggle from industry restructuring along with high unit costs and increased global competition. The local watch industry is currently comprised of one company and current preliminary export information is unavailable. For last fiscal year, 47,209 watches were exported, down from 53,196 shipped during the previous fiscal year.

### **Natural Resources & Construction Sector**

Total employment in the natural resources and construction sector remained weak as the number of jobs declined further during the first 6 months of 2013, as compared to the same period last year. Natural resources and construction employment declined 19 percent in the first half of 2013, compared to the same period last year as ongoing construction projects were completed during the first 6 months of 2013. The number of construction sector positions averaged 1,655 for the first 6 months of 2013 compared to 2,047 for the corresponding period in 2012. Construction activity began to improve at the beginning of the second half of 2013; as a result, an improvement in employment for this sector is anticipated. The ongoing construction projects include the \$19 million Wyndham renovation, the \$26 million Sugar Estate Senior Housing Development, the \$20 million Whispering Hills housing project, the \$5 million Main Street Enhancement Project, the \$800K 1<sup>st</sup> phase and Raphune Hill Road widening project. The Virgin Islands Port Authority and West Indian Company port expansion projects are targeted to accommodate larger cruise passenger and cargo ships. The Virgin Islands Department of Public Works currently has \$28 million in active construction projects underway in the Territory including major road renovation projects in both districts.

The value of total construction permits, a leading indicator of current capital investment projects and future economic activity, was \$141 million as

construction activity declined in the Territory. For the first 6 months in 2013, permit values declined by 27 percent compared to the previous period last year. Since July 2013, a reverse has occurred and the value of construction permits may exceed the 2012 value. Currently ongoing construction projects along with projects under consideration will strengthen the sector in 2014.

Foremost among new construction projects is the amount of capital investment being installed throughout the Territory to both improve and expand upon the broadband capabilities to improve local access, pricing and generate new careers along with business opportunities. The Virgin Islands Next Generation Network has awarded well over \$23 million in construction contracts to build public computer and training centers along with trenching for the installation of conduit pipes used for fiber-optic cable to run through in 2012. As of 2013, the \$117 million broadband expansion project is funded by four federal stimulus grants plus a local match of \$32 million. The project has expended well over \$60 million of the \$86 million in grant funding, providing an economic stimulus to the Virgin Islands economy. In addition, viNGN has been working on other information technology based projects including the current territory wide street mapping initiative and the completion of SmartGrid technology with the Virgin Islands Water and Power Authority. In addition, viNGN is partnering with BetterWorld/Connectspace.vi to source 250 virtual positions in the Territory.

Completed capital investment projects include the \$13 million 18,000 square feet University of the Virgin Islands Research and Technology Park multiuse campus. Other completed capital projects include the \$14 million Walgreens Building, the Virgin Islands Water and Power Authority underground projects in Charlotte Amalie and Christiansted. Other completed projects include the Christiansted Boardwalk project, and the second phase of the \$15.3 million Louis Brown Villas housing development.

## Public and Private Services Industry

### Trade, Transportation and Utilities Sector

Employment in the trade, transportation and utilities sector declined 5 percent, to 8,169 positions, for the first 6 months of 2013 compared to 8,574 positions for the same period last year. For 2013, employment in this sector is averaging 8,126 jobs down 2 percent compared to 8,307 positions from last year.

The trade sector plays a major role in the Virgin Islands economy, contributing over \$1 billion in sales or about 40 percent of sales annually and 19 percent of jobs in the economy. Retail trade, particularly, comprised the majority of the trade sector. Retail activity accounts for 10 percent and wholesale activity constitutes approximately 2 percent of Territorial GDP.

### Financial Activities, Professional and Business Services Sector

The Financial Activities sector employment fell 4 percent to 2,261 positions for the first six months of 2012 compared to the 2,348 for the same period in 2012. Total employment is averaging 2,238 for 2013, a 2 percent decrease from 2,279 in the corresponding period for 2012.

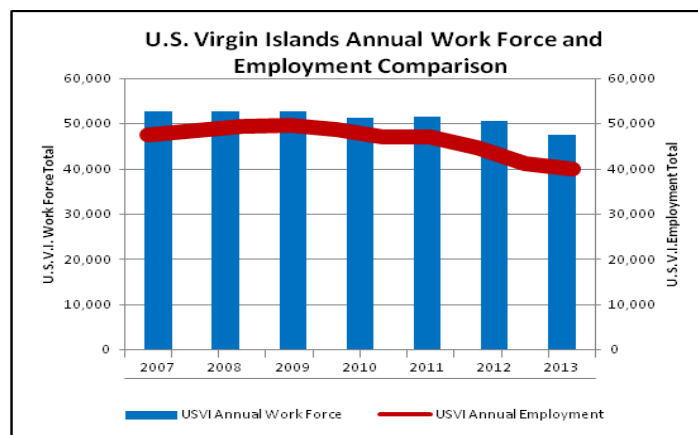
The combined total assets of commercial banks in the U.S. Virgin Islands at the end of 2012 are \$2,206 billion, roughly 15 percent below the 2011 total assets of \$2,585 billion. Total assets were flat compared to the previous year's total assets of \$2,559 billion mainly due to decreased credit from individual households and other personal lines of credit. Commercial credit totaling \$1.6 billion accounted for 74 percent of total assets. Bank deposits consisting of savings demand accounts, demand and time deposits increased by 14 percent or by \$311.4 million to \$2,520.8 billion in 2012 from \$2,209.4 billion in 2011. Total demand deposits of private individuals, partnerships and corporations rose by 15 percent to \$2.1 billion in 2012 from \$1.82 billion in 2011.

Banking related financial information for 2013 is not available until summer 2014.

Employment in the Professional and Business Services sector of 3,313 positions, for the first 6 months of 2013 was 4 percent below the same period last year of 3,456 jobs. For 2013, the estimated number of professional and business related jobs averaged 3,342 positions down under 1 percent compared to 3,370 over the corresponding period in 2012.

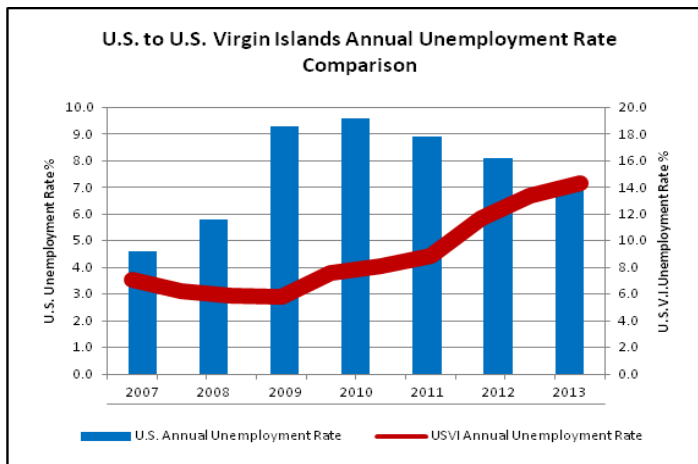
### Public and Private Employment Trends

On average, 41,224 persons were employed in civilian work force for 2013, 18,685 on St. Croix and 22,539 on St. Thomas and St. John. This is an 8 percent decline from the estimated 44,659 persons employed for the corresponding period in 2012 based on preliminary information. The table below compares the work force to employment levels since 2007 in the Territory.



The Territory's unemployment rate has increased since the refinery closure in 2012, from an annual average of 11.7 percent in 2012 to 13.4 percent for 2013. The average unemployment rate for St. Croix is 15.1 percent for 2013, while the unemployment rate for St. Thomas and St. John averaged 11.8 percent. The island of St. Croix unemployment rate peaked at 17.8 percent in January 2013, before declining to 13.0 percent by October 2013. The chart shows the comparison between the Virgin Islands unemployment rate with the U.S. unemployment rate since 2007.





Increasing visitor arrivals, coupled with reduced energy costs by converting to lower cost propane and alternative energy sources, combined with the possible sale and reopening of the oil refinery, will undoubtedly improve employment opportunities possibly in late 2014 extending into 2015. Until employment significantly improves, economic growth will remain sluggish as high unemployment continues to adversely impact economic growth and projected government tax revenues anticipated for Fiscal Year 2014.

## Public and Private Sector Employment

### Wage and Salary Employment

An average of 38,884 persons was employed in nonagricultural wage and salary jobs in 2013 compared to 40,317 last year, a 4 percent decrease. Nine in ten of these jobs were in the service-producing industries and one in ten jobs is in the goods producing industries. Government; services; trade, transportation and utilities; and leisure and hospitality are the major industry sectors with the largest number of jobs. These four sectors account for 67 percent of all jobs in the Virgin Islands.

Wholesale and retail trade sector, construction including mining and financial activities account for approximately 15 percent, 4 percent and 5 percent, respectively, of the trade sector. The

manufacturing sector, devastated by the refinery closure, accounts for 2 percent matched by the information sector that also represents 2 percent of total wage and salary employment. The education and health services sector accounts for the remainder of jobs in the Territory.

## Public and Private Sector Employment

Public sector employment comprises 27 percent of total nonagricultural jobs, as total public employment declined 4 percent in 2013 to 11,061 jobs from 11,476 jobs. The number of federal government positions increased in 2013. Federal government jobs averaged 968 compared to 946 reported last year. Local government positions averaged 10,176 in 2013, down 4 percent from 2012. The decline in local government positions, totaling 354 positions, is primarily due to attrition and austerity measures associated with the Virgin Islands Economic Stability Act of 2011.

Private sector jobs account over 60 percent of total wage and salary jobs. Job growth has been statistically flat due to the overall weaknesses in the economy. The private sector has not added a significant number of jobs since the 2008 peak and has declined 10 percent since 2010. There were 27,840 private sector jobs compared to 28,841 jobs for the same period last year, a 4 percent decrease. Based on Department of Labor employment data, the chart below shows the non-agricultural wage and salary employment by industry and sector for the Virgin Islands.

	2008	2009	2010	2011	2012	2013
Total Employment	45,488	43,690	44,106	43,719	40,317	38,984
Private sector	32,479	30,680	31,029	31,242	28,841	27,840
Construction & Mining	2,463	2,081	2,099	2,055	1,756	1,663
Manufacturing	2,361	2,192	2,120	2,096	1,271	842
Trans., Ware. & Utilities	1,648	1,577	1,514	1,579	1,487	1,452
Wholesale & Retail Trade	7,076	6,825	6,706	6,846	6,820	6,714
Financial Activities	2,491	2,458	2,360	2,375	2,279	2,250
Leisure and Hospitality	7,520	6,952	7,296	7,372	7,237	7,093
Information	787	777	768	801	807	818
Services	9,225	9,120	9,143	9,738	9,163	9,049
Federal government	978	1,001	962	937	946	968
Territorial government	12,031	12,009	12,116	11,540	10,530	10,176

# FISCAL YEAR ECONOMIC INDICATORS

United States Virgin Islands

2012 & 2013: 1st/2nd Quarter and Half-Year Percent Annual Change

Series	1st QTR			2nd QTR			6 MONTHS		
	2012	2013	% Annual Change	2012	2013	% Annual Change	2012	2013	% Annual Change
<b>Labor Force</b>	<b>50,339</b>	<b>50,135</b>	<b>-0.4</b>	<b>47,743</b>	<b>48,003</b>	<b>0.5</b>	<b>50,620</b>	<b>48,750</b>	<b>-3.7</b>
Civilian employed	45,824	43,489	-5.1	44,840	41,650	-7.1	46,119	42,296	-8.3
Civilian unemployed	4,515	6,646	47.2	4,487	6,425	43.2	4,501	6,480	44.0
Unemployment rate (%)	8.8	13.3	4.5	8.8	13.4	4.6	8.8	13.3	4.5
<b>Total Nonfarm</b>	<b>42,856</b>	<b>38,820</b>	<b>-9.4</b>	<b>42,637</b>	<b>39,161</b>	<b>-8.2</b>	<b>42,747</b>	<b>38,990</b>	<b>-8.8</b>
<b>Total Private</b>	<b>30,923</b>	<b>27,557</b>	<b>-10.9</b>	<b>30,910</b>	<b>27,921</b>	<b>-9.7</b>	<b>30,917</b>	<b>27,739</b>	<b>-10.3</b>
<b>Production Sectors</b>	<b>4,098</b>	<b>2,542</b>	<b>-38.0</b>	<b>3,911</b>	<b>2,516</b>	<b>-35.7</b>	<b>4,005</b>	<b>2,529</b>	<b>-36.9</b>
Natural Resources & Construction	2,104	1,652	-21.5	1,990	1,657	-16.7	2,047	1,655	-19.1
Manufacturing	1,994	890	-55.4	1,921	859	-55.3	1,957	875	-55.3
<b>Service Sectors</b>	<b>38,758</b>	<b>36,277</b>	<b>-6.4</b>	<b>38,725</b>	<b>36,645</b>	<b>-5.4</b>	<b>38,742</b>	<b>36,461</b>	<b>-5.9</b>
<b>Trade, Transportation &amp; Utilities</b>	<b>8,568</b>	<b>8,153</b>	<b>-4.8</b>	<b>8,580</b>	<b>8,184</b>	<b>-4.6</b>	<b>8,574</b>	<b>8,169</b>	<b>-4.7</b>
Wholesale Trade	689	672	-2.5	689	663	-3.8	689	668	-3.0
Retail Trade	6,342	6,040	-4.8	6,324	6,065	-4.1	6,333	6,053	-4.4
Transp., Warehousing, Utilities	1,537	1,441	-6.2	1,567	1,456	-7.1	1,552	1,449	-6.6
<b>Information</b>	<b>795</b>	<b>818</b>	<b>2.9</b>	<b>805</b>	<b>819</b>	<b>1.7</b>	<b>800</b>	<b>819</b>	<b>2.4</b>
<b>Financial Activities</b>	<b>2,375</b>	<b>2,265</b>	<b>-4.6</b>	<b>2,321</b>	<b>2,256</b>	<b>-2.8</b>	<b>2,348</b>	<b>2,261</b>	<b>-3.7</b>
<b>Professional &amp; Business Services</b>	<b>3,476</b>	<b>3,311</b>	<b>-4.7</b>	<b>3,436</b>	<b>3,334</b>	<b>-3.0</b>	<b>3,456</b>	<b>3,323</b>	<b>-3.8</b>
<b>Education and Health</b>	<b>2,542</b>	<b>2,382</b>	<b>-6.3</b>	<b>2,492</b>	<b>2,374</b>	<b>-4.7</b>	<b>2,517</b>	<b>2,378</b>	<b>-5.5</b>
<b>Leisure &amp; Hospitality</b>	<b>7,259</b>	<b>6,873</b>	<b>-5.3</b>	<b>7,619</b>	<b>7,143</b>	<b>-6.2</b>	<b>7,439</b>	<b>7,008</b>	<b>-5.8</b>
Arts and Entertainment	845	839	-0.7	864	833	-3.6	854	836	-2.1
Accommodation & Food	6,415	6,034	-5.9	6,761	6,310	-6.7	6,588	6,172	-6.3
Accommodation	3,554	3,483	-2.0	3,724	3,718	-0.2	3,639	3,601	-1.0
Food Services & Drink	2,861	2,552	-10.8	3,031	2,591	-14.5	2,946	2,572	-12.7
<b>Other Services</b>	<b>1,809</b>	<b>1,213</b>	<b>-32.9</b>	<b>1,746</b>	<b>1,295</b>	<b>-25.8</b>	<b>1,778</b>	<b>1,254</b>	<b>-29.5</b>
<b>Government</b>	<b>11,934</b>	<b>11,262</b>	<b>-5.6</b>	<b>11,726</b>	<b>11,240</b>	<b>-4.1</b>	<b>11,830</b>	<b>11,251</b>	<b>-4.9</b>
Federal	917	961	4.8	930	970	4.3	924	966	4.5
Local	11,016	10,301	-6.5	10,796	10,269	-4.9	10,906	10,285	-5.7
<b>General fund revenues (\$1,000)</b>	<b>135,141</b>	<b>115,476</b>	<b>-14.6</b>	<b>153,206</b>	<b>155,307</b>	<b>1.4</b>	<b>290,450</b>	<b>297,814</b>	<b>2.5</b>
Individual	73,085	57,258	-21.7	76,575	69,572	-9.1	142,657	133,833	-6.2
Corporate	10,796	7,134	-33.9	10,631	11,864	11.6	22,660	17,765	-21.6
Real Property	12,927	10,053	-22.2	39,850	40,996	2.9	39,805	60,059	50.9
Trade and Excise	5,871	5,647	-3.8	20,875	26,877	28.8	11,869	10,922	-8.0
Gross Receipts	32,462	35,384	9.0	5,275	5,998	13.7	73,459	75,235	2.4
Hotel Room	2,145	2,745	28.0	7,689	6,623	-13.9	8,769	10,435	19.0
<b>Visitor Arrivals</b>	<b>723,908</b>	<b>688,074</b>	<b>-5.0</b>	<b>966,031</b>	<b>952,260</b>	<b>-1.4</b>	<b>1,689,939</b>	<b>1,640,334</b>	<b>-2.9</b>
Air	163,113	158,608	-2.8	225,910	223,242	-1.2	389,023	381,850	-1.8
Cruise	560,795	529,466	-5.6	740,121	729,018	-1.5	1,300,916	1,258,484	-3.3