# U.S. VIRGIN ISLANDS ECONOMY

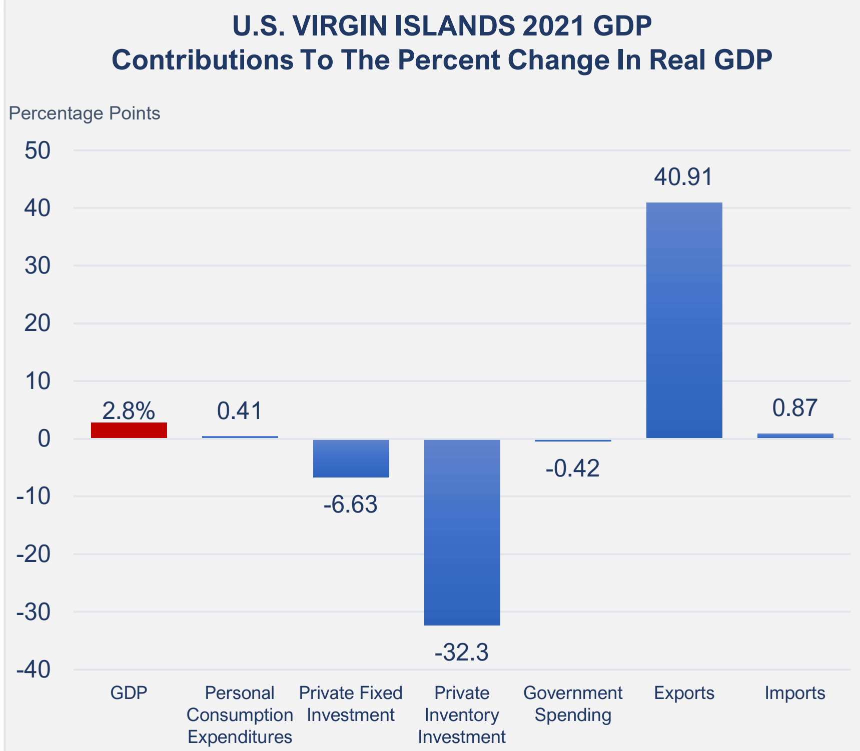
## 2020 TO 2022 COVID AND BEYOND

In early 2020, the U.S Virgin Islands (USVI) economy grew moderately until lockdowns and containment measures to stem the coronavirus (COVID-19) pandemic shuttered economic activity, except for a few essential businesses and some services remaining open. Travel restrictions, reduced air travel demand, and "no sail order" for cruise ships halted sailings for over a year, which led to an unprecedented decrease in visitors. The ensuing contraction was one of economic activity's deepest and most sudden downswings. In 2022, indicators showed that the economy had generally recovered from the sharp decline that followed the onset of the pandemic. Some were returning to, and others were exceeding pre-pandemic levels.

## 1. GDP GROWTH

The U.S. Virgin Islands economy grew in 2021, returning with resilience from 2020. Real Gross Domestic Product *(GDP)* increased by 2.8 percent at an annual rate, or to a level of $4 billion in 2021, according to the U.S. Bureau of Economic Analysis (BEA). Real GDP had shrunk by 1.9 percent in 2020 ($3.9 billion) when the pandemic led to ordered lockdowns and businesses to shut down or reduce hours.

*Figure 1. U.S. Virgin Islands Contributions to the Percent Change in Real GDP, 2021*




**Note:** The chart above shows the percent change of total real GDP and contributions (in percentage points) of each major component to that change. For example, exports accounted for 0.41 percentage points of the 2.8 percent increase in real GDP in 2021. Imports are a subtraction item; thus, a decrease in imports. results in a positive contribution to GDP.

*Source: Bureau of Economic Analysis*

Growth in real GDP was driven mainly by a 94.9 percent increase in exports of goods (reflecting a surge in crude oil and petroleum products exports and services, primarily visitor spending) and consumer spending, which rose at a muted 0.6 percent annual rate. The increase in consumer spending reflected increases in spending on both goods and services. Within goods, the leading contributor was nondurable goods. Health care, food services, and accommodations led to the growth of services. Decreases in private inventory investment, private fixed investment, and government spending partly offset these increases. Imports, which are a subtraction in the calculation of GDP, also decreased.

Private fixed investment decreased 36.8 percent, reflecting declines in business spending on construction and equipment, which were elevated in prior years to support capital improvement projects, including the restart of the oil refinery on St. Croix. The decrease in private inventory investment was due to crude oil and petroleum product inventories drawn down for export and use in petroleum refining. Government spending decreased by 1.2 percent, primarily reflected by a decline in federal government spending to support the reconstruction of federal facilities damaged during the 2017 hurricanes Irma and Maria. Territorial government spending decreased by 0.3 percent, reflecting a decline in the compensation of government employees.