

TESTIMONY OF HALDANE DAVIES, PHD
DIRECTOR
BUREAU OF ECONOMIC RESEARCH
GOVERNMENT OF THE UNITED STATES
VIRGIN ISLANDS



BEFORE THE
COMMITTEE ON ECONOMIC
DEVELOPMENT AND AGRICULTURE

36TH LEGISLATURE
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FRITS E. LAWAETZ
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Good day, to the Honorable Hubert L. Frederick, Chairperson of the United States Virgin Islands 36th Legislature Committee on Economic Development and Agriculture, other Committee members, other members of the Legislature present, legislative staff, fellow testifiers, members of the media, persons in the viewing and listening audience, ladies and gentlemen. My name is Haldane Davies, and I am Director of the Bureau of Economic Research (BER), Government of the United States Virgin Islands. With me today, is Ms. Bernesha Liburd, Senior Project Analyst in the Bureau of Economic Research.

I welcome the opportunity to provide testimony on the Territory's current economic condition and projected outlook for 2027. The Virgin Islands of the United States is presently navigating what may be referred to as a complex "dual economy" depicted by severe public sector liquidity constraints contrasted against strong federal spending and private sector growth, particularly in tourism. While the government's gross revenue is projected to marginally rise to **\$870** million in 2027, we closed out a tough fiscal year with an estimated **\$59** million deficit and increasing structural costs. However, we must remain mindful that long-term stability and growth is tempered by high energy costs, labor shortages from a dwindling population, and our ever-present vulnerability to natural disasters. We must improve our collections and cash-flow situation, better manage expenditure, and reduce revenue leakage.

At the same time, the outlook for 2027 is cautiously optimistic, with continuous growth driven by strong disaster recovery spending, expanded airlift, and statutory wage increases. With a plethora of projects scheduled to come online, the current unemployment rate of **4.3%** is anticipated to decrease even as some workers advance to higher paying jobs as demand requires. It is also expected that our labor pool (or payroll jobs) will expand as more job and career advancement opportunities occur over the next few years.

The projected FY2027 **\$1.63** billion budget proposal anticipates a transition from short-term financial triage toward long-term stabilization. Gross Receipts taxes projected at **\$31.2** million in 2026 and **\$36.7** million in 2027 from disaster recovery spending should help to provide a platform for a soft economic landing at the end of the cycle. We must be mindful of preserving intergenerational equity by not spending and developing enough today that there is too much for tomorrow, or by spending and developing too much today that there is not enough to replenish and sustain tomorrow. Future generations on which the weight of our decisions today rest will more likely follow fiscal prudence and produce investments and services that make sustainable economics a staple culture for the people of this Territory.

The Office of Disaster Recovery has scheduled several bundled projects and together with expanding private sector growth opportunities, the Territory is expected to see more internal economic impact through increased circulation of spending and revenue collection. Strides towards improved government efficiency via input, throughput, and output driven by strategic personnel engagement and commitment to service excellence could further transform the business of public service for the good of the USVI.

Improved actions in revenue collection through updated property tax assessments, local taxes collection, and improved GVI BUY processing should better position the Territory to make timely vendor payments, increase salary levels, attract more talent to the public service, and further improve government effectiveness. Calculated steps should also be taken by semiautonomous agencies to strategically monetize their assets, collections, and fundraising to ease dependence on the General Fund for operations. Boards need to assess their risk positions, be less risk averse, and have the courage to take strategic risks in line with their mission to advance their individual causes and become less dependent on the central government's purse. Investment opportunities and incentives must be standardized across the Territory for the benefit of the people and economic silos torn down. The proliferation of boards, commissions, bureaus, and other instrumentalities must be reviewed to provide for a more effective, efficient, and productive government in service for the people.

With respect to our current economic situation, the Territory's GTP/GDP stands at approximately **\$5.4** billion, up from **\$3.9** billion in 2018. GDP per capita is estimated at **\$52.5** thousand. The Territorial debt was reduced to **\$1.6** billion in 2025 from an amount of **\$2.2** billion in 2018. Inflation remains one of the most significant economic challenges facing residents across the Territory. Although inflation moderated from its early 2026 highs, the cost of living continues to place pressure on household budgets. Through July 2026, housing costs increased by approximately **3.6%**, food prices rose by **6.8%**, and transportation costs increased by **16.2%**, reflecting the combined effects of higher housing expenses, rising food prices, and increased energy and transportation costs. While inflation in the U. S. Virgin Islands slowed to approximately **5.7%** by July 2026, it remained above the U.S. inflation rate of **3.4%**, underscoring the unique affordability challenges faced by residents. These trends reinforce the importance of policies that promote housing affordability, workforce development, economic diversification, and long-term financial resilience.

The Territory imported **\$3.62** billion in goods and services in 2025 and exported **\$2.6** billion in goods and services. Food imports amounted to **\$168** million in 2025, up slightly from **\$162** million in 2024. Higher exports than imports are usually an indicator of a stronger economy and the more we can do by facilitating sustainable development opportunities the stronger our economy will become. Getting the oil refinery into full operation (although somewhat controversial) will significantly boost exports and improve the economic and financial position of the Territory.

Visitor arrivals have rebounded from a pandemic era low of **800** thousand in 2021 to **2.7** million in 2025, and now **2.2** million visitors (air **744** thousand and cruise **1.5** million) as of August 2026. Cruise arrivals on St. Croix increased from **3.8** thousand in 2021 to **242** thousand in 2025, and **150** thousand as of August 2026. Cruise arrivals on St. Thomas/St. John stood at **1.6** million in 2025 and **1.2** million as of August 2026. In 2025 air arrivals on St. Croix were **185** thousand and **724** thousand on St. Thomas/St. John. As of August 2026, air arrivals stood at **145** thousand on St. Croix and **588** thousand on St. Thomas/St. John. The Labor Force was recorded at **38,214** (STX **15,480**; STT/STJ **22,734**) and Civilian Employment was **36,572** (STX **14,633**; STT/STJ **21,939**) as of August 2026. There were **1,642** people unemployed as of August 2026. The unemployment rate was recorded at **4.3%** (STX **5.8%**; STT/STJ **3.5%**) in August 2026.

Building permits stood at **\$117** million in August 2026 (STX **\$12.5** million; STT/STJ **\$104** million). Hotel occupancy rate was at **63.3%** (STX **51.2%**; STT/STJ **67.6%**) as of June 2026; and hotel room tax stood at **\$41.7** million and non-hotel room tax was **\$18.2** million as of September 2026 when compared to **\$35.4** million in hotel room tax and **\$17.5** million in non-hotel room tax for 2025. Overall, the economy remains stable and resilient, especially considering strong visitor arrivals, persistent generally low unemployment, and significant infrastructure development. Private sector investments in both districts are also contributing to the strength and robustness of the economy.

While the tourism industry continues to strive, the most recent visitor exits surveys indicate that there is need for regularization and expansion of the taxi transportation system across the Territory. “Gypsy” operators must be brought into compliance, alternate options of payment must be enforced, rideshare options for one to three passengers should be allowed to operate, and fare structures need to be modernized. This section of the economy could thrive while improving ridership satisfaction.

We must continue to invest strategically in workforce development, infrastructure improvement, housing, resource and technology utilization, and business development. We must also expand our efforts to again being the economic mecca of the region (as in the 1960's and 1970's) by attracting and growing businesses, fostering private sector investment, investing in natural resources, expanding the blue economy, and implementing and amending policies, rules, and regulations that lead to sustained growth and prosperity for the people of the USVI. The Virgin Islands Virtual Information System (VIVIS) must be enhanced by implementing a VIVIS 2.0 modernization centered on cloud-based infrastructure, centralized reporting, improved user interface, and enhanced data management. In essence, sustainable economic development for us is the process of improving the Territory's economic and social well-being by increasing wealth through the overall output of goods and services, creating and supporting jobs by helping existing businesses thrive and attracting new businesses, and improving the quality of life and living by way of education, healthcare, infrastructure, and public safety.

Recently, the USVI Department of Labor (DOL) reported that among the one thousand plus applicants (ages 16-25) who participated in the 2026 Summer Youth Employment Program, the overwhelming majority of them expressed interest in careers in healthcare, childcare, engineering, justice and law, hospitality and tourism, entrepreneurship and business, construction trades, information and cyber technology, medical sciences, and aviation, to name a few. We must take intentional steps to shift workers from a low-productivity traditional sector to a high-productivity modern sector with higher paying jobs and incentives to keep our people and repatriate those of the diaspora to build a stronger and more resilient USVI. BER recently sponsored an economic development workshop and AI in economic development series in collaboration with the International Economic Development Council (IEDC) and look forward to facilitating a Caribbean-wide Economic Conference also in collaboration with IEDC within the next year or two.

BER will continue to use data and information to tell the economic condition story of the Territory while suggesting intentional strategies for sustained economic development. IEDC describes economic development as "programs, policies and activities that seek to improve the economic well-being and quality of life for a community by creating and retaining jobs and providing a stable tax base." It also means a revenue and spending strategy supported by business-friendly legislation, efficient and effective processes, and a balanced governance mindset that keeps the growth and well-being of people at the forefront of every agenda.

Mr. Chairman, we need to continuously engage in meaningful conversations and intentional actions to advance the goals and aspirations of this Territory. Let us do it and exercise our potential, capacity, and capability to further advance the USVI as one Territory contributing to the well-being of residents and visitors alike. The direct, indirect, and induced economic impact would be significant.

Thank you, Mr. Chairman, for your stewardship in holding this Hearing and for keeping the economic wellbeing of our Territory high on the agenda of the 36th Legislature. We welcome the opportunity to answer any questions regarding this important Hearing. Thank you for your attention.