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As Inflation Bites, Bryan and Financial Analysts Urge Residents to Brace for Economic Challenges

With inflation expected to persist, Governor Bryan and financial experts urge Virgin Islanders to upskill, reinvest in real estate, and make important purchases now to shield themselves from rising costs and safeguard their financial future

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Janeke Simon **September 26, 2024**

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Inflation is a continuing concern for the Virgin Islands, especially for those in lower income brackets. That was a sentiment shared by both Governor Albert Bryan Jr. and representatives of Causey Demgen & Moore, the investment advisor for the Matching Funds Special Purpose Securitization Corporation (MFSPSC).

The corporation met on Wednesday to review investments in the capitalized interest fund account, and spent some time discussing the general economic environment, and analyzing trends for the near- and medium-term.

Part of that discussion involved the expression of concern over inflationary trends, which are expected to continue into the near future. Governor Bryan wondered whether market conditions would prompt “a real jump in spending,” especially since “bank rates are going to come down for savings” due to a [recent cut in interest rates](#) by the Federal Reserve.

According to Causey representative Andrew Mathis, the rate cut combined with all-time highs in the stock market will drive spending for wealthy Americans. “That’s going to be very robustly positive for real estate,” he noted. However, working class residents will likely suffer. “Inflation is hurting them, and things are harder.” To ease the pain, Mr. Mathis predicts that whoever wins in November, the next administration will have to spend money, “so that’s going to drive continued inflation,” unless the incoming administration pivots away from the current tariff policies on goods coming from China, he opined.

Governor Bryan outlined the dilemma the Virgin Islands is facing in light of prevailing economic trends. “It’s great on the top side...because we’ll be collecting a lot of money. The taxes are going to be good, the tourism is going to be rolling on, but the rate of inflation is going to kill the people on the lower end of the scale.” He noted that inflation on St. Thomas was an eye-watering 14% last year, and fretted that the already difficult inflationary environment would be compounded by the billions of dollars in recovery projects that will be getting underway. “That is going to crush us,” Governor Bryan stated, anticipating skyrocketing labor costs, with the prices of commodities rising correspondingly. Additionally, the influx of Covid-era relief dollars has mostly been spent, reducing the buying power of citizens back down to pre-pandemic levels.

The current geopolitical situation makes longer-term forecasting quite difficult, Mr. Mathis acknowledged. “The fact that we have a major war building in the Middle East, and major war in Ukraine, those are going to have outsized factors that really...fogs my view of where we’ll be two years from now,” he said. However, in the near term, he expects prices to continue to rise. “If you need to buy a really nice car, that’s a good time to do it right now,” he advised. Working people, both he and Governor Bryan advised, need to take action to insulate themselves as much as possible against an increasingly challenging local and national economy. “Get yourself in a good position,” Mr. Mathis urged. “Go out and upskill and try to reinvest in real estate,” Governor Bryan suggested.

According to Mr. Mathis, however, there are some bright spots on the horizon. There is a substantial amount of money invested in the short term bond market, suggesting a healthy amount of liquidity. “If the stock market had a pullback or something...there’s tons of money to come in and prop us back up that’s parked safely in other things.” He also expressed confidence that “essentially, as a government, the U.S., the Fed and everything refuses to let anybody really feel any pain.” These two factors provide some reason for optimism, since, while “our workforce, our people, maybe aren’t in the best position...the market really is.”