

The Virgin Islands Consortium

The Hovensa And WAPA Effect: Virgin Islands Still In Recession

VIC News / **Published On August 21, 2014 12:23 AM /**

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The U.S. Virgin Islands 2013 Gross Domestic Product did not have to be released for the people to know that the territory is still in recession, but the results released on Tuesday show that there's much work left to be done to steer the Virgin Islands back to economic prosperity.

Though not as bad as last year, the results continue to show an economy that is anemic and still deep in recession. The culprit? The Government is pointing its fingers at the closure of the Hovensa oil refinery.

The territory's GDP dropped by 5.4 percent in 2013, an improvement over 2012's disheartening 13 percent decline.

The main source of the steep declines continues to be the Hovensa closure in 2012, government officials said.

"The petroleum refining is the big problem in the numbers," Bureau of Economic Analysis Acting Director Brian Moyer said on Tuesday. According to Moyer, if the oil refinery was still operational, the territory would have realized growth of 0.6 percent.

The Gross Domestic Product of any nation, sometimes called the Gross Territorial Product in the Virgin Islands, is the value of goods and services that an economy produces at any give time.

When determining GDP, economists look at various factors, including imports, exports, , and corporate and personal income levels.



The Hovensa oil refinery, shuttered since

2012

Because the GDP of the Virgin Islands is adjusted to remove price changes, it is called the "real GDP". The territory's GDP is calculated by the U.S. Bureau of Economic Analysis, and officials from the agency are in the territory now to give details of the latest results to the government and the public.

Virgin Islands Gross Domestic Product, 2013

The total GDP of the Virgin Islands in 2013 is \$3.79 billion, down 5.4 percent from \$4.14 billion a year earlier. To compare, the national GDP, which does not factor U.S. territories, saw growth of 2.2 percent in 2013, data provided by Moyer revealed.

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The decline in the territory's GDP is ascribed to the closure of the Hovensa oil refinery, and also a decline in consumer spending.

While Moyer didn't reveal data making known why consumer spending had dropped, we suspect that the high cost of energy from WAPA may have contributed to the overall

decrease.

In the midst of all the bad news, there were positive signs, as two sectors saw growth: tourism and rum production.

The number of arrivals to the Virgin Islands increased by 2.2 percent in 2013, and rum production saw growth of 22 percent. "That's a bright spot," Moyer said.

The report also showed a drop in government spending by 3.6 percent because of budget constraints, but it was mostly because of the federal stimulus funding awarded to the territory in 2009 coming to an end.

According to the V.I.'s Bureau of Economic Research Director Wharton Berger, the continual decline shows how much the territory's economy has changed, adding that the government would like to work more with the private sector to facilitate a stronger and more sustainable economy moving forward.

"Things have changed," Wharton said. "The economy has changed.

"We are relying more on the private sector. The government would like to work more with the private sector to facilitate growth here in the territory."