The Virgin Islands Consortium

Bryan Sees Benefits For USVI as Consensus Builds on Impending 2023 Recession

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Governor Albert Bryan responds to questions on Tuesday, Nov. 15 during an hourlong interview with VI Consortium's Ernice Gilbert. By. V.I. CONSORTIUM

The V.I. Public Finance Authority on Friday held its monthly board meeting to hear presentations from its Washington, D.C. lobbying team as economists are becoming more certain that the world will be impacted by a global recession in 2023.

P.F.A. representatives from Squire Patton Boggs LLP, Winston and Strawn LLP, and Total Spectrum LLC, were present for the meeting, where an annual report was also provided by the PFA's Investment Advisor, Causey Demgen & Moore PC.

During the presentation by Causey Demgen & Moore, which is also an SEC Practice Section CPA firm based in Denver, Colorado, the issue of how a worldwide recession could potentially affect the U.S. Virgin Islands was explored.

Representatives of the advisory firm stated that the market was indeed anticipating a recession. It was also noted that expectations were that growth, already near zero according to reports, would slow considerably.

The Causey Demgen & Moore team said it was "very likely that things were headed in the direction of negative growth.”

Governor Albert Bryan, who is chairman of the PFA board, suggested during the meeting that a recession wasn’t necessarily a bad thing, stating explicitly that it would be good for the Virgin Islands. The Consortium sought clarification from the governor, and he pointed out the ways a recession would be beneficial.

"A recession would be good because it would lower commodity prices," he said. "It would create more available labor because it would drive people from the United States back home and give us more people to work with."

He added, "It wouldn't be good for tourism because our numbers would go down, but then we would have hotel rooms available for construction work on St. Thomas and St. John. We Don't have any space for people now. It would also lower the cost of rent."

The governor did stress that while a recession would have some benefits, "it's not all the way good."

"Because of how much money we have, the construction industry is going to do good regardless. And whether tourists come here to do work or for leisure, it will be good for us. Our occupancy and restaurants, everything will be full still. It won't be all that bad."

During the PFA meeting, the territory's leader said the impending recession and its impact will be unlike any other.

“I’m not an economist,” Mr. Bryan said, “but I do have a degree in economics. I think it's semantics because everybody is anticipating recession to be a bad word. Two things I think are important… all a recession means is that you have two or more quarters of negative growth. It doesn’t mean it's going to be high unemployment because it doesn't take into account what the factors in your workplace look like at the time. We could in fact go through a recession and not see high unemployment and just see maybe moderate unemployment, or a readjustment of the system. This is an anomaly… I don't think there's ever been a job shortage like this in the last 50 years. Probably not since World War 1 when everyone was overseas fighting and women weren’t as much in the workforce…”

He added, "What’s that’s going to play out with, people losing their homes and all that, I don't think that’s going to happen either… I think what’s going to change is what a recession means for the average American.”

To emphasize his point, Mr. Bryan stated, “All the coronavirus money is still pending. A lot of that money ain't even hit the streets yet. We got $562 million. States got like two billion dollars and they have until 2024 to obligate. You still got a lot of government spending… I don’t see it. I think a recession will be good for the Virgin Islands.” In July, the governor said roughly $80 million of the over $500 million the territory received from the American Rescue Plan Act, or ARPA funding was already expended.

During the Friday meeting, he said another aspect people might not be factoring in was that consumer confidence was high.

“People have been locked up for two years not spending for Covid,” he said. “They got a lot of saved money and they're spending their money, they don’t care. How long will that last? I don’t know.”

The governor admitted that in terms of tourism and a recession, “it will be bad for us.”

"I think those numbers will drop but in terms of construction, we will continue to make gains because we have so much construction going on,” he said. “Those hotel rooms just turned into rooms for people to work as contractors. Our outlook looks good.”

Mr. Bryan went on to say that he’d spoken with people from New Orleans to find out what happened in the Great Recession, “because it was right after Katrina and all the storms and they barely felt it because it their construction money just kept them," he said.

After it was pointed out by another participant in the meeting that a recession would not necessarily equate to a sabbatical, Mr. Bryan suggested that the PFA look at the potential financial impact and get a model for what a recession would mean for the Virgin Islands. He remained unconvinced of a significant impact, particularly considering funds available to the government.