



USVI COVID-19 Economic Impact Report

A closer look at the impact of
COVID-19 on the economy of
the US Virgin Islands.

Produced by
Island Analytics and Marketing, LLC

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USAGE STATEMENT

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CITATION SUGGESTION

Dorsey, R., Simon, R., & Dorsey, S. (2020, July 7). USVI COVID-19 Economic Impact Report. Frederiksted; Island Analytics & Marketing, LLC.

BACKGROUND

ISLAND ANALYTICS & MARKETING, LLC [IAM]

Island Analytics & Marketing, LLC is a data collection, analytics, and marketing support service company based in the U.S. Virgin Islands. IAM, LLC provides a diverse set of research solutions through customized polling, interviews, surveying, focus groups and consumer review services for small to large entities operating or seeking to invest in the U.S. Virgin Islands. With an in-depth understanding of the U.S. Virgin Islands' unique cultural, socio-economic, and political landscape, Island Analytics & Marketing, LLC provides accurate, up-to-date analysis of data relative to all socio-economic groups, business types and government entities.

PURPOSE OF USVI COVID-19 ECONOMIC IMPACT REPORT

With the increasing need for accurate and real-time data during this time of uncharted economic crisis, Island Analytics & Marketing, LLC launched the USVI COVID-19 Economic Impact Survey. The purpose of the survey was to measure the economic impact of COVID-19 on businesses, non-profits, and other NGOs in the US Virgin Islands. The survey focused on the issues currently affecting organizations such as economic challenges, labor needs, operational needs, future outlooks, and more. The results of the report are to inform the public, policy makers, and government officials on the reality of our economic situation and may be used to direct additional local/federal support to organizations.

METHODOLOGY

The USVI COVID-19 Economic Impact Report incorporates data from both quantitative and qualitative sources. Quantitative and qualitative data input includes primary research from the USVI COVID-19 Economic Impact Survey. Secondary research includes economic and other existing COVID-19 data from national and local sources. The primary research was gathered through an online survey with the target population being businesses, non-profits, and other NGOs in the US Virgin Islands. The target population was asked to participate by email, social media, and local news agencies. The online survey webpage included the purpose for the survey, completion time, and clarifications on the target audience. The survey included customized questions addressing gaps in economic impact data such as estimated revenue losses, amount of layoffs/furloughs, and fiscal support opinions. Statistical significance was determined based on confidence intervals (at the 99% confidence level) using question-specific samples and response rates with a margin of error of (+/-)10%.

OVERVIEW OF COVID-19 PANDEMIC ECONOMIC IMPACT

UNITED STATES OF AMERICA

With 2,291,353 confirmed cases and 120,106 deaths (Johns Hopkins University & Medicine, 2020) in the United States as of June 2020, the U.S.A. saw a heavy economic impact of the novel Coronavirus on its financial system. The real gross domestic product (GDP) for the U.S. declined by 2% in the first quarter of 2020 according to the

U.S. Bureau of Economic Analysis. The GDP is a comprehensive measure of U.S. economic activity which is the value of the goods and services produced in the United States (U.S. Bureau of Economic Analysis, May 2020). The decline in U.S. GDP was a result of decreases in consumer spending, inventory investment, business investment, and exports which were partially offset by increases in housing investment and government spending (U.S. Bureau of Economic Analysis, May 2020). Additionally, corporate profits declined by 13.9% in the first quarter of 2020 with domestic non-financial corporation profits falling 14.3% and domestic financial corporations falling 16.6% respectively (U.S. Bureau of Economic Analysis, May 2020).

The unemployment rate in the U.S. as of May 2020 was 13.3% according to the U.S. Bureau of Labor Statistics. The number of unemployed persons were 21 million with temporary layoffs at 15.3 million and permanent job losers at 2.3 million (U.S. Bureau of Labor Statistics, May 2020). Major economic sectors continued to see large numbers of employment losses, see chart.

TABLE 1.1 | U.S. Establishment Data [in thousands]

INDUSTRY	Not Seasonally Adjusted			Not Seasonally Adjusted		
	April 2019	April 2020	Change	March 2020	April 2020	Change
Construction	7,377	6,544	833	7,328	6,544	784
Education & Health Services	24,206	22,111	2,095	24,600	22,111	2489
Financial Activities	8,678	8,536	142	8,794	8,536	258
Government	22,948	22,115	833	23,052	22,115	937
Information	2,832	2,629	203	2,876	2,629	247
Leisure & Hospitality	16,406	8,655	7,751	15,965	8,655	7310
Manufacturing	12,775	11,432	1,343	12,760	11,432	1328
Mining & Logging	732	646	86	697	646	51
Private Services	106,598	90,334	16,264	106,746	90,334	16412
Professional & Business Services	21,169	19,264	1,905	21,186	19,264	1922
Retail Trade	15,474.7	13,408.4	2,066.3	15,408.8	13,408.4	2000.4
Transportation & Warehousing	5,525.7	5,006.8	518.9	5,598.1	5,006.8	591.3

Source: U.S. Bureau of Labor Statistics, April 2020

U.S. VIRGIN ISLANDS

On March 13, 2020, the USVI Department of Health announced the first case of COVID-19 in the territory. As of June 22, 2020, the US Virgin Islands had a total of 76 positive cases of COVID-19 with 6 deaths (USVI Department of Health, 2020). The USVI has a small economy with a GDP of \$3.9 billion in 2018 which is mainly dependent on tourism and rum exports (USVI Office of Management and Budget, 2020). With the shutdown of the tourism and local economy due to stay-at-home orders, the USVI saw a severe economic impact to the local financial system.

2020 second quarter projections anticipated 186,031 air travelers and 346,338 cruise visitors, but with the onset of the COVID-19 virus and the CDC “no sail order”, cruise visitation ceased and 40% or less of air arrivals were

projected for 2020, which is a loss of \$202 million (USVI Office of Management and Budget, 2020). The USVI Office of Management and Budget’s five-year forecast in May 2020 estimated a decline of \$150 million for fiscal year 2020 with carry-over decline into fiscal year 2021 budget by a \$136.6 million reduction (USVI Office of Management and Budget, 2020). Further projections based on the fiscal year 2021 budget for the USVI predicted decline in local revenue sources such as Personal Income Tax (-16.2%), Corporate Income Tax (-18.7%), Real Property Tax (-30.3%), and Gross Receipts Tax (-28.8%) (USVI Office of Management and Budget, 2020).

The labor sector for the USVI experienced major layoffs/furloughs due to the closing down of the economy during the first and second quarters of 2020. 7,100 unemployment benefit applications were received at the US Virgin Islands Department in April of 2020 (USVI Office of Management and Budget, 2020). Major industry sectors such as leisure and hospitality, private services, and retail trade were affected by the economic shutdown. Leisure and hospitality saw a 26.73% decline in employment numbers from the March 2020 to April 2020. Private services had a 12.97% decline with retail trade at 14.8% decline, and transportation & warehousing at a 16.14% decline for the same time period of March 2020 to April 2020 (US Virgin Islands Department of Labor, 2020).

TABLE 1.2 | U.S. Virgin Islands Establishment Data

INDUSTRY	Not Seasonally Adjusted			Not Seasonally Adjusted		
	April 2019	April 2020	Change	March 2020	April 2020	Change
Education & Health Services	2,264	2,100	164	2,210	2,100	110
Financial Activities	1,866	1,729	137	1,832	1,729	103
Government	10,610	11,077	467	11,072	11,077	5
Information	625	529	96	579	529	50
Leisure & Hospitality	4,543	4,071	472	5,556	4,071	1,485
Manufacturing	585	756	171	776	756	20
Natural Resources, Mining, & Construction	2,487	3,819	1,332	4,039	3,819	220
Private Services	20,973	19,678	1,295	22,610	19,678	2,932
Professional & Business Services	3,543	3,725	182	3,756	3,725	31
Retail Trade	5,138	4,410	728	5,176	4,410	766
Trade, Transportation, & Utilities	7,119	6,031	1,088	7,002	6,031	971
Transportation & Warehousing	1,353	1,039	314	1,239	1,039	200
Wholesale Trade	628	582	46	587	582	5

Source: US Virgin Islands Department of Labor, 2020

IMPACT SURVEY RESULTS

KEY FINDINGS

- *The industries with the largest labor loss were private services and leisure and hospitality.*
- *Leisure and hospitality saw a reduction of 26.7% in labor force from March 2020 to April 2020.*
- *Private services saw a reduction of 12.97% in labor force from March 2020 to April 2020.*
- *Businesses with a labor force of 0 - 30 employees saw an average of 63% reduction due to furloughs or layoffs.*
- *Thirty-three percent (33%) of St. Thomas and thirty-seven percent (37%) of St. John based businesses described their anticipated gross yearly revenue losses at 50% - 75% for 2020.*
- *Twenty-six percent (26%) of St. Croix based businesses anticipated 25% - 50% of gross yearly revenue losses.*
- *Businesses under \$1,000,000 in gross yearly revenue anticipated losses of more than 50% for 2020.*
- *Businesses over \$1,000,000 in gross yearly revenue anticipated losses of 50% - 75%, with the exception of business reporting a gross yearly revenue tier of \$25M - \$100M.*
- *Over 65% of businesses in the territory indicated negative opinions of the local efforts to provide economic relief or support to organizations.*
- *Over 45% of businesses responded with positive opinions of the USVI Government’s efforts in handling the COVID-19 response.*

PERCENT REVENUE LOSS PER GROSS REVENUE

Table 2.1 illustrates businesses in the USVI that indicated that their Gross Yearly Revenue (GYR) was below one million dollars. Each tier of the GYR is measured against the projected amount of gross revenue loss for 2020 that businesses anticipated due to COVID-19. Within this table, the most affected tier includes 50%-75% of businesses reporting \$250K - \$500K GYR, which anticipated 50% - 75% gross revenue loss for 2020. Of the lowest GYR tier, thirty-two percent (32%) of businesses reporting \$1K - \$50K GYR anticipated 75% - 100% gross revenue loss for 2020. Within the GYR of under \$1 million, businesses reporting \$50K - \$1M GYR displayed a trend of anticipated 25% - 50% and 50% - 75% gross revenue loss for 2020.

TABLE 2.1 | Businesses under \$1 Million in Gross Yearly Revenue

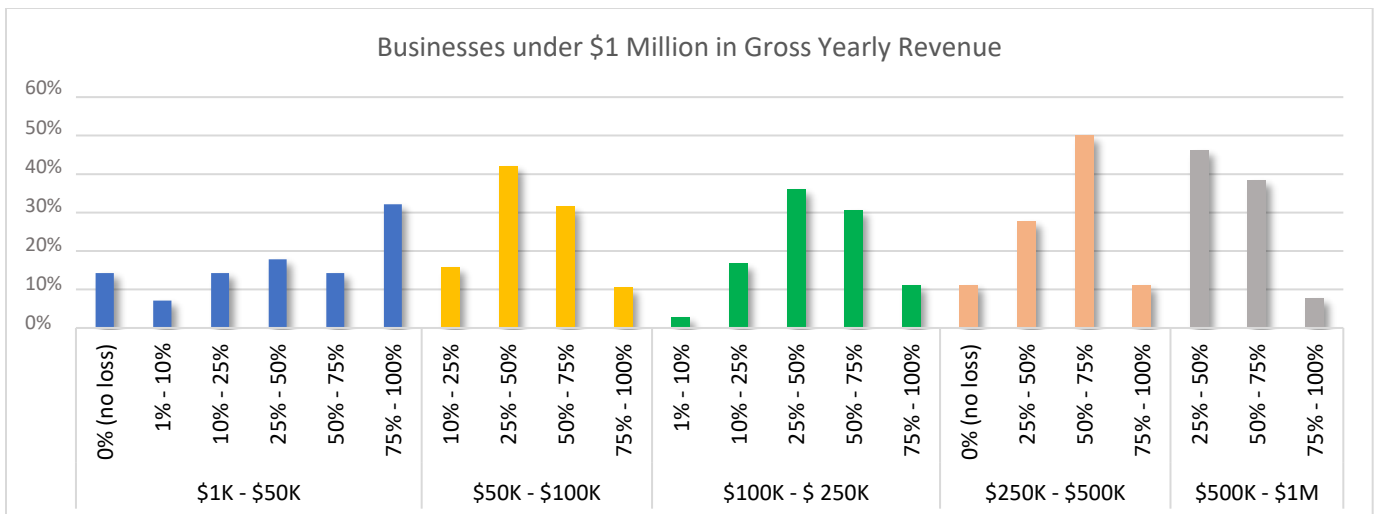


Table 2.2 shows businesses in the USVI that indicated that their Gross Yearly Revenue (GYR) was above one million dollars. Within this table, the most affected tier is that of fifty percent (50%) of businesses at \$100M - \$250M+ GYR, which anticipated 50% - 75% gross revenue loss for 2020. Of the lowest tier, thirty percent (30%) of businesses at the \$1M- \$5M GYR anticipated 50% - 75% gross revenue loss for 2020.

TABLE 2.2 | Businesses over \$1 Million in Gross Yearly Revenue

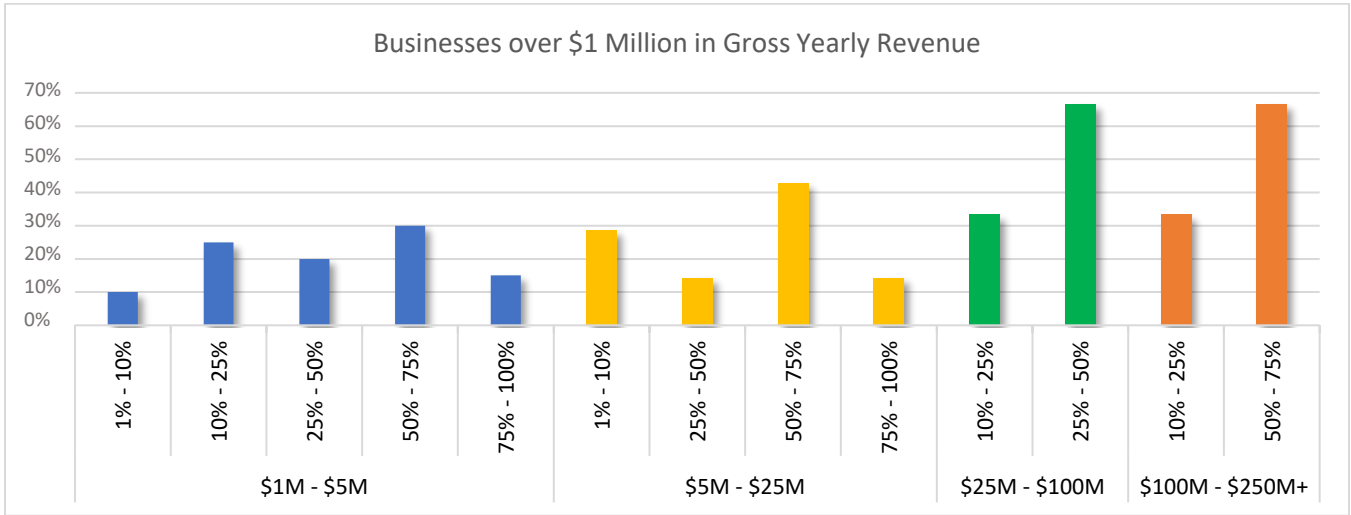
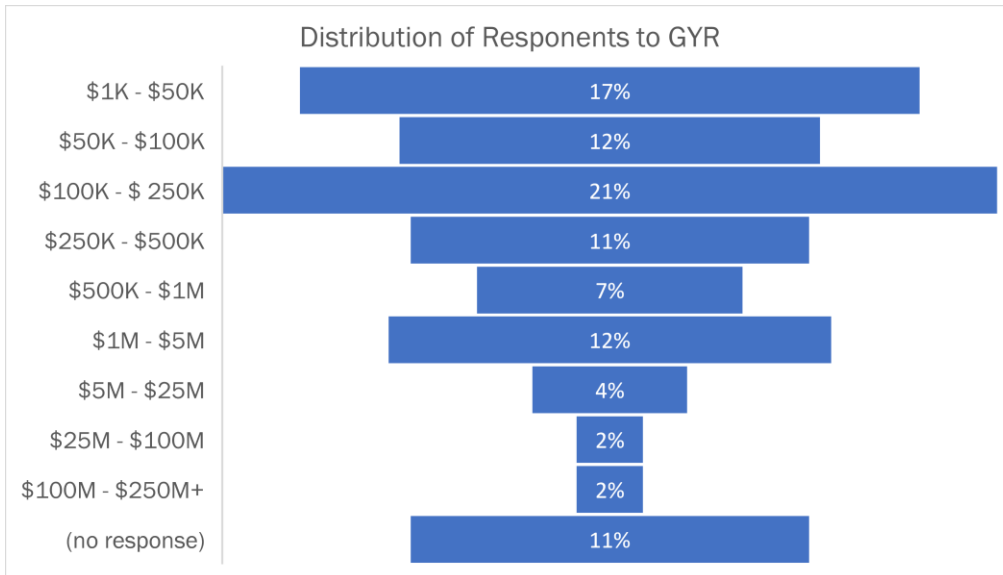


Table 2.3 illustrates the distribution of businesses in each tier of the GYR.

TABLE 2.3 | Distribution of Respondents to GYR



PERCENT GROSS REVENUE LOSS PER ISLAND

Table 2.4 shows the distribution of percent revenue loss for businesses on the island of St. Croix. Twenty-six percent (26%) of St. Croix based business respondents stated that they anticipated 25% - 50% of gross revenue losses for 2020.

TABLE 2.4 | % of Gross Revenue Loss on St. Croix

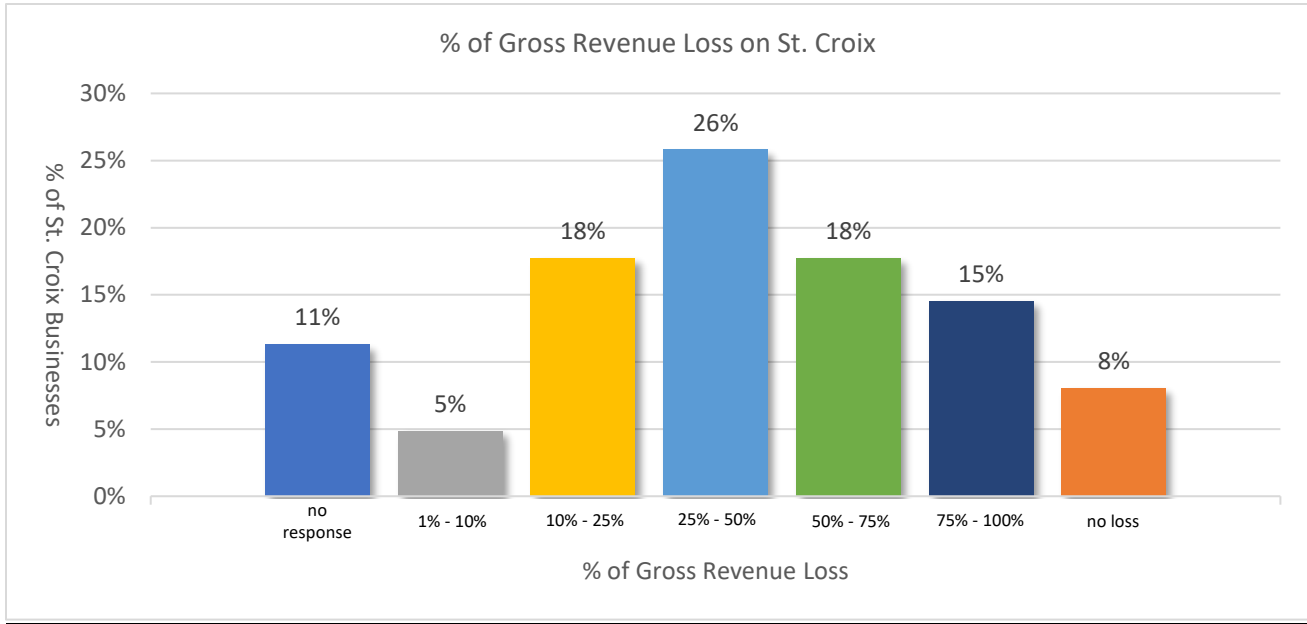


Table 2.5 shows the distribution of percent revenue loss for businesses on the island of St. Thomas. Thirty-three percent (33%) of St. Thomas based business respondents stated that they anticipated 50% - 75% of gross revenue losses for 2020.

TABLE 2.5 | % of Gross Revenue Loss on St. Thomas

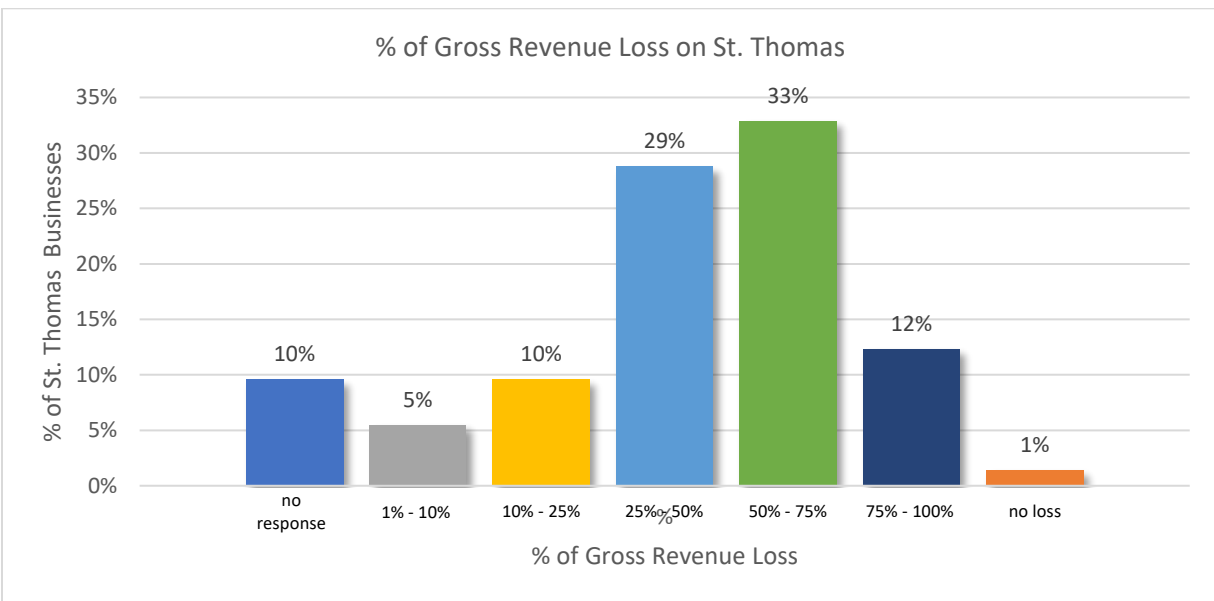
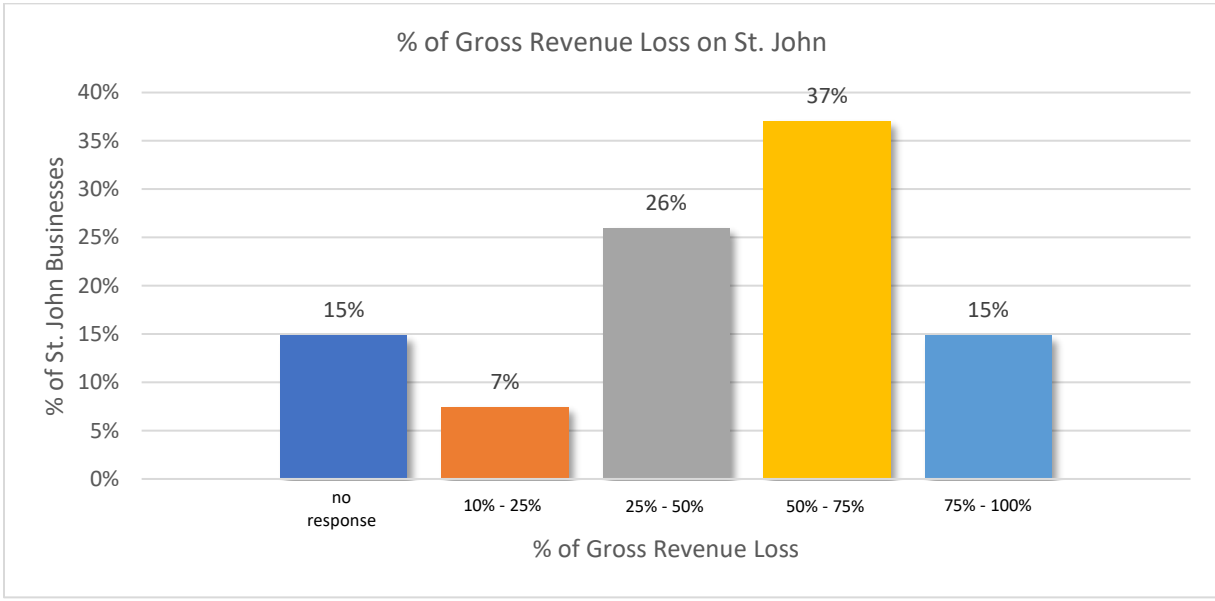


Table 2.6 shows the distribution of percent revenue loss for businesses on the island of St. John. Thirty-seven percent (37%) of St. John based business respondents stated that they anticipated 50% - 75% of gross revenue losses for 2020.

TABLE 2.6 | % of Gross Revenue Loss on St. John



NUMBER OF AFFECTED WORKERS BY TOTAL AMOUNT OF WORKERS

Table 3.1 depicts information gathered from business respondents on the effects of COVID-19 on their work force. Three factors were included in the survey — work force prior to COVID-19, the number of furloughs/layoffs, and the percentage of the work force that was affected. Businesses with the 0 - 5 workers experienced the highest percentage of work force reduction at 68%, with an average of two (2) workers being furloughed or laid off. Businesses that had 15 - 30 workers experienced a workforce reduction of 61%, at an average of fourteen (14) workers being furloughed or laid off. Businesses with a larger work force experienced significantly lower work force reduction than those with smaller work forces.

TABLE 3.1 | # of Affected Workers by Total # of Workers

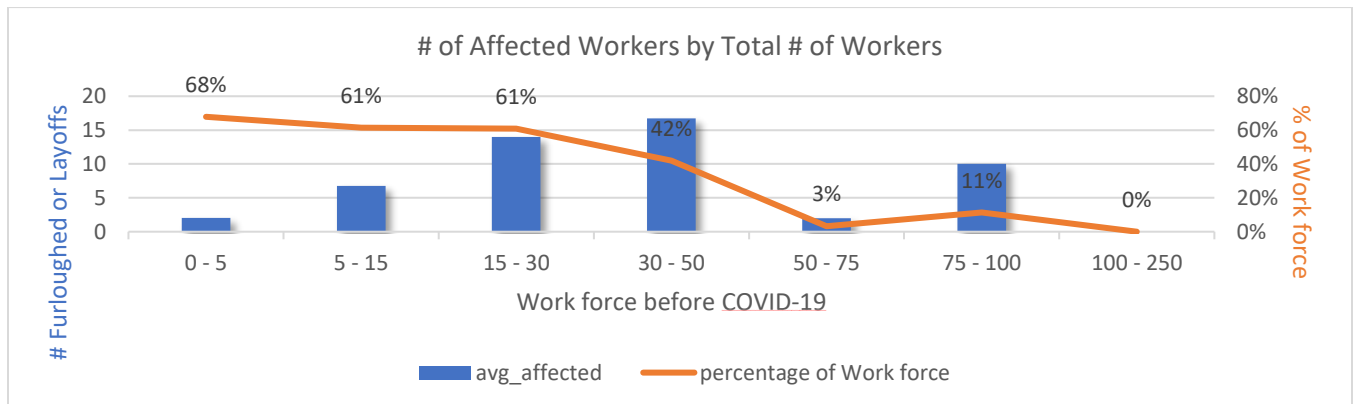
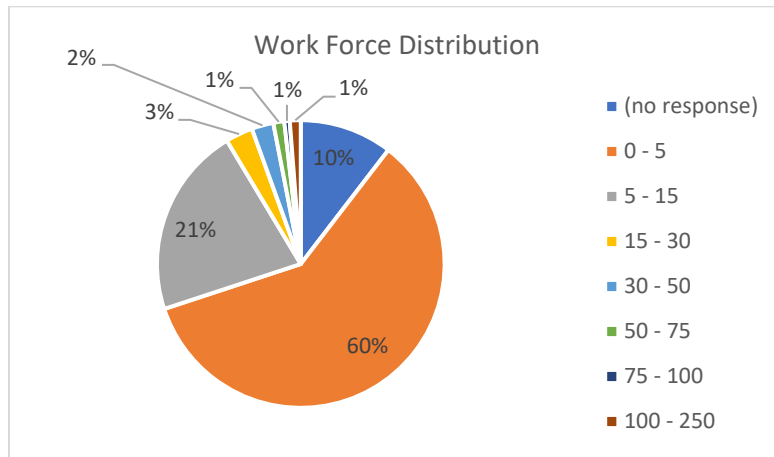


Table 3.2 illustrates the distribution of work force numbers for the business respondents. Sixty percent (60%) of business respondents indicated that they have 0 - 5 workers which includes self-employed or owner-operated establishments.

TABLE 3.2 | Work Force Distribution



WORK FORCE SKILL LEVEL

Table 3.3 shows information gathered from business respondents demonstrating the types of skilled labor the organizations employed. The most common type of laborer across St. Croix, St. Thomas, and St. John is skilled, with unskilled / entry level workers as the second greatest portion of the labor force across the three islands.

TABLE 3.3 | Skill Levels in the USVI

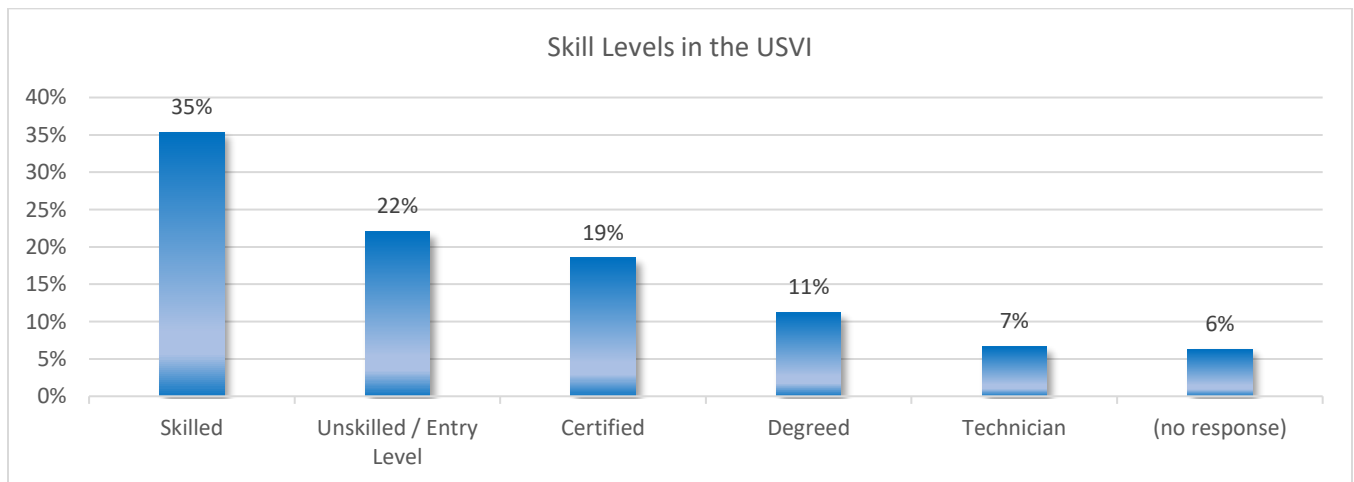
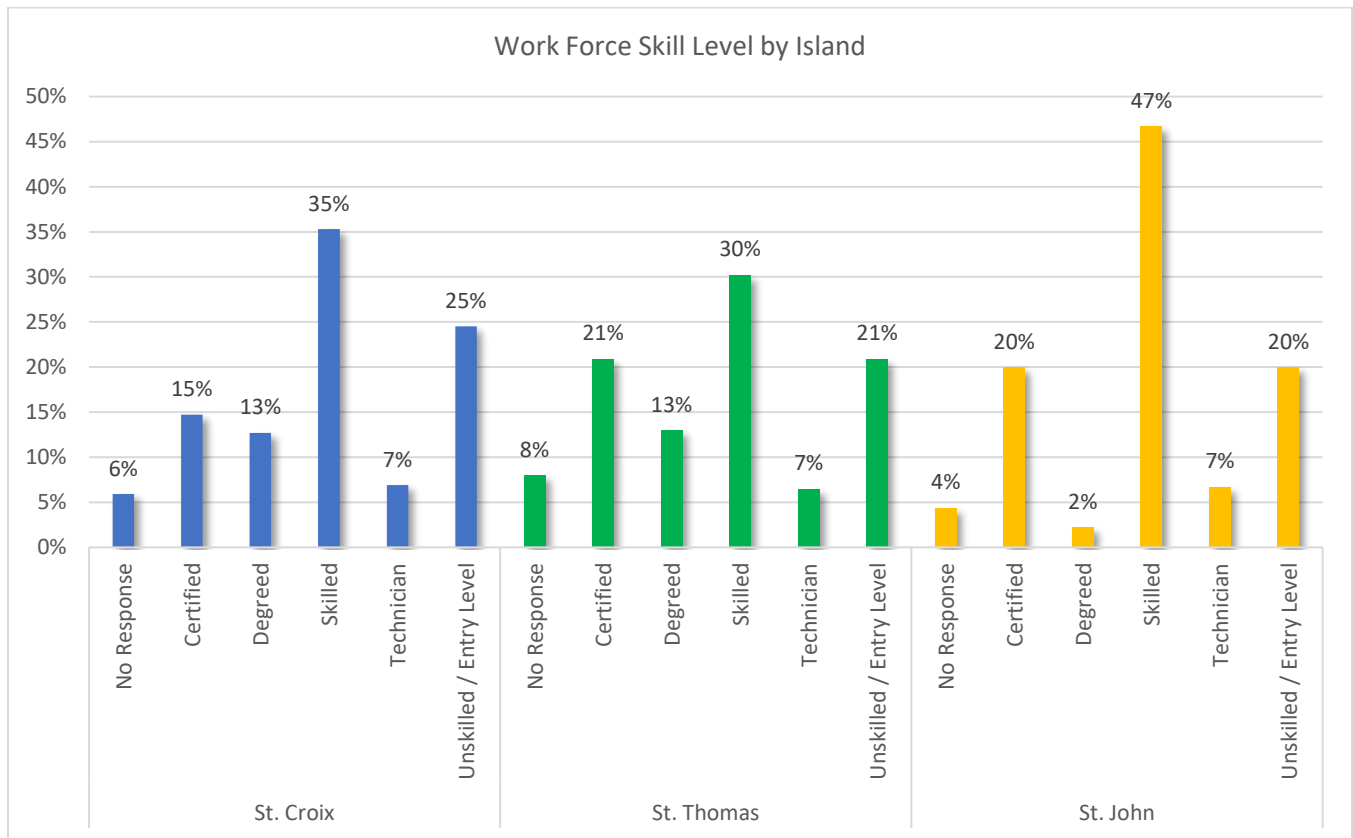


Table 3.4 shows information gathered from business respondents on the types of skilled labor they employ by island.

TABLE 3.4 | Work Force Skill Level by Island



FINANCIAL SUPPORT & FEDERAL AID

Table 4.1 illustrates information gathered from business respondents on the type of financial support desired by businesses segmented by island. St. Croix businesses deemed traditional SBA loans to be the most desired whereas St. Thomas businesses preferred employee payroll subsidies. St. John businesses displayed the highest response against a preferred financial support.

TABLE 4.1 | Desired Financial Support by Island

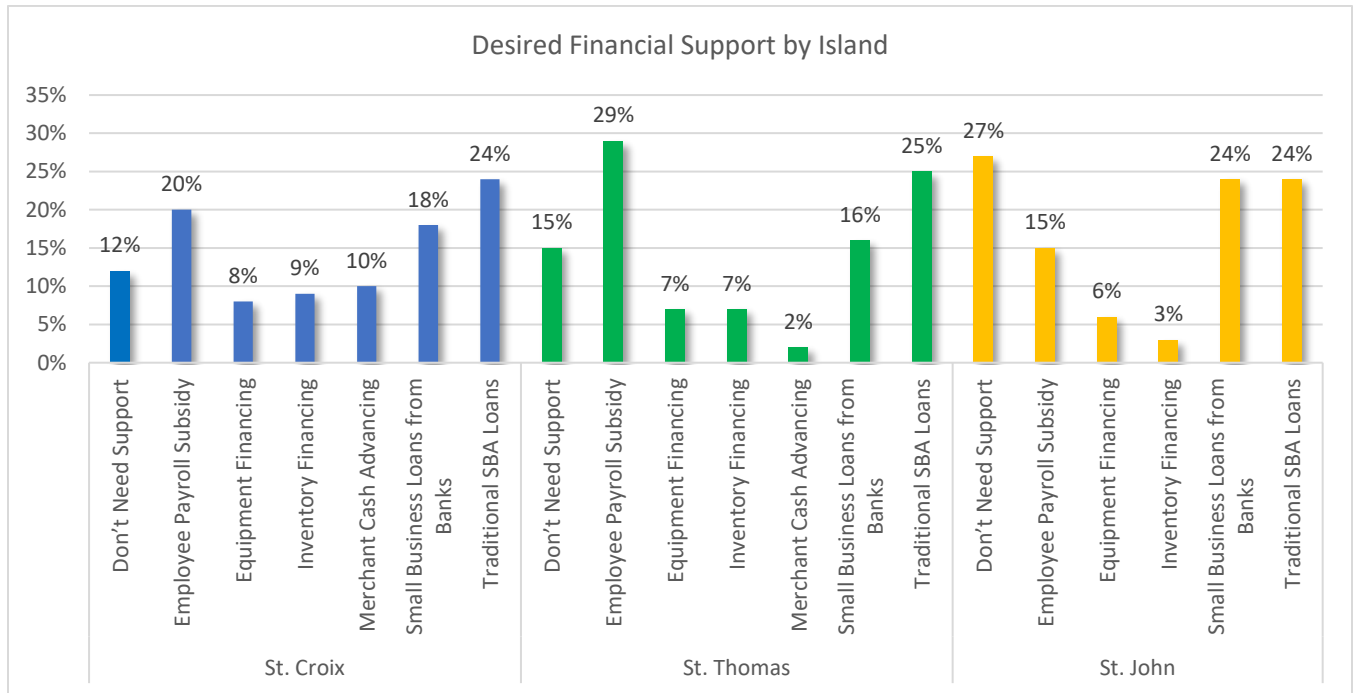
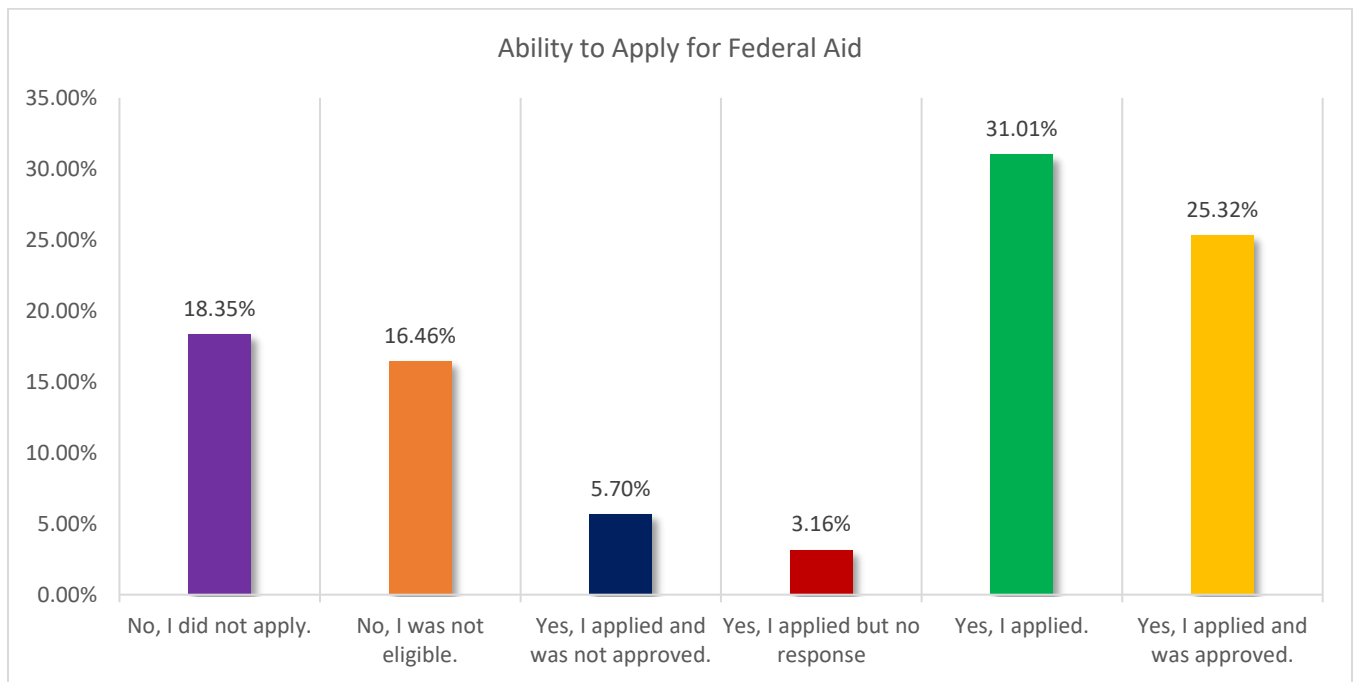


Table 4.2 depicts responses determining US Virgin Island businesses ability to apply for federal aid. The majority of businesses (over 56%) indicated that they were able to apply. Only a small number of businesses (3.16%) were not able to receive a response on their approval status.

TABLE 4.2 | Ability to Apply for Federal Aid



OPINION OF LOCAL ECONOMIC SUPPORT & COVID-19 RESPONSE

Table 5.1 shows the opinions of business respondents as it relates to local economic support from the Government of the US Virgin Islands. Over 65% of business respondents indicated a negative approval of the local level of economic support.

TABLE 5.1 | Opinion of Local Economic Support

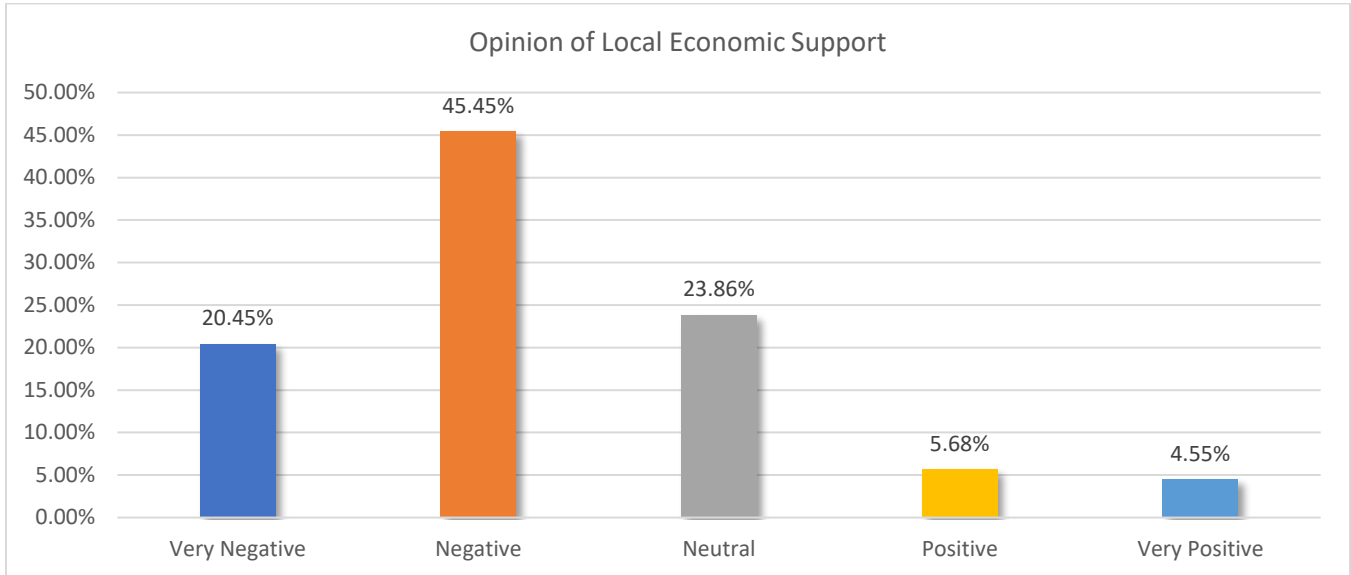
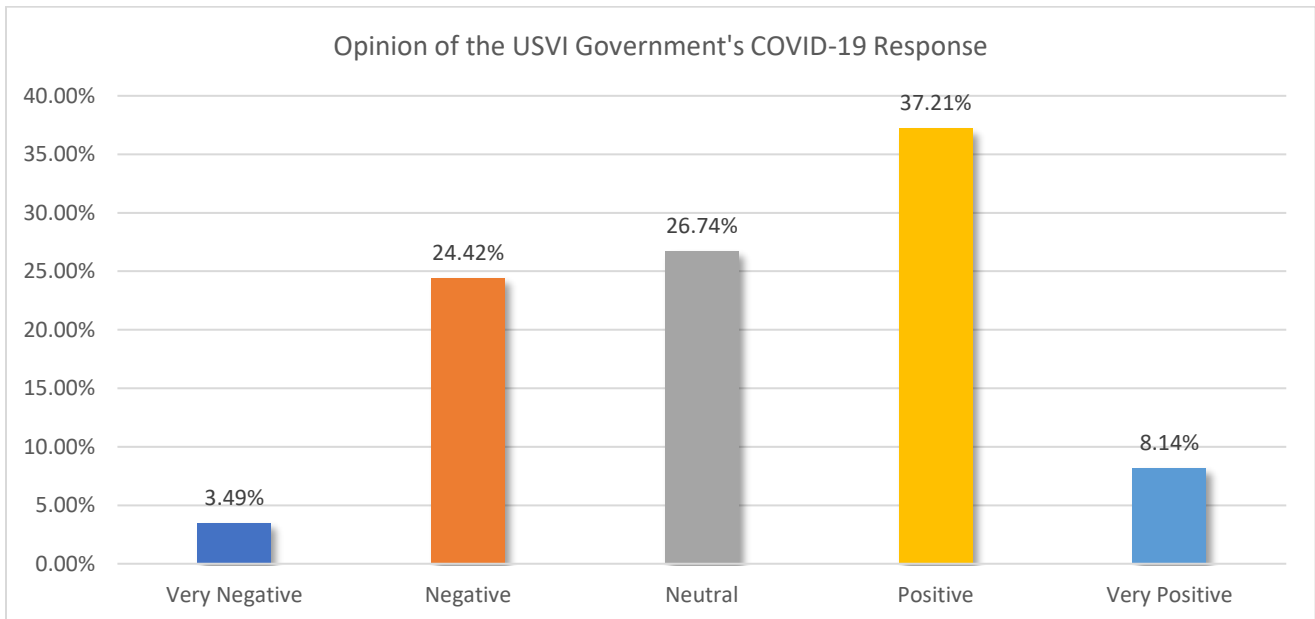


Table 5.2 reflects business respondent's opinions of the USVI Government's response to the COVID-19 virus in the territory. Over 45% of respondents indicated a positive approval of the USVI's response to COVID-19.

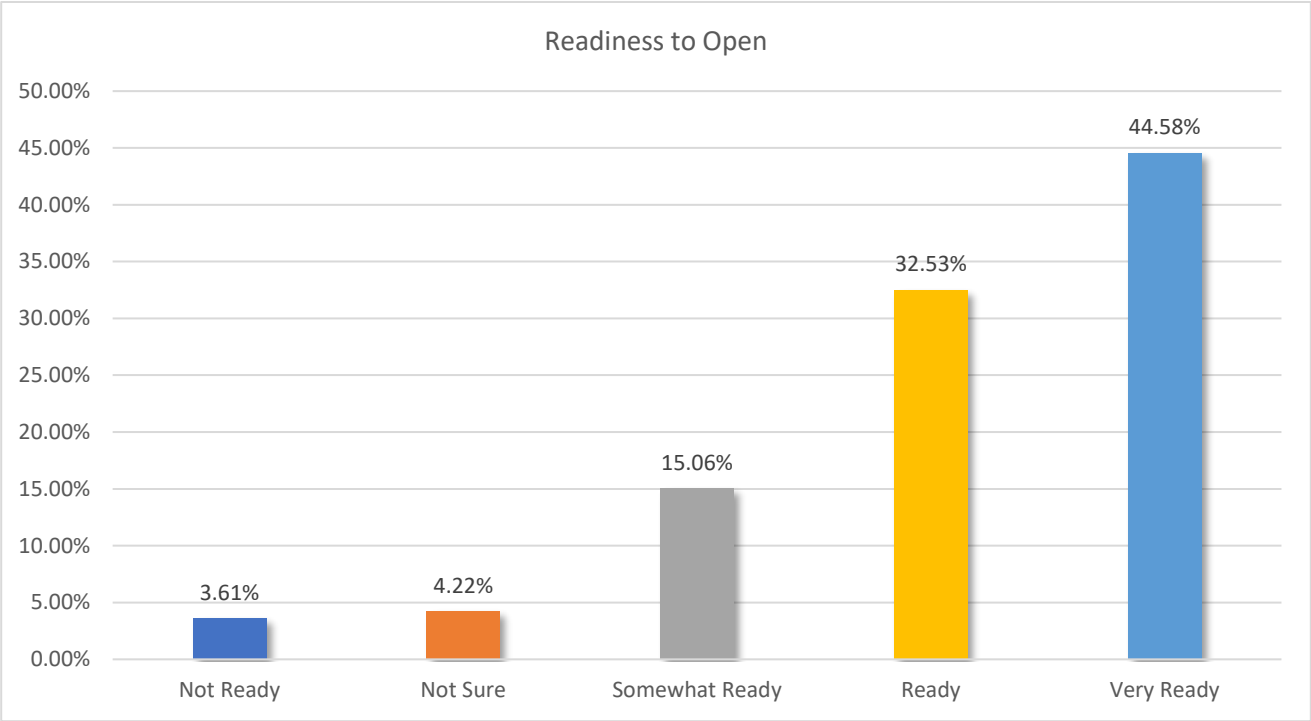
TABLE 5.2 | Opinion of the USVI Government's COVID-19 Response



USVI BUSINESSES READINESS TO OPEN

Table 6.1 illustrated business respondent’s readiness to open their business in the month of May. The majority of businesses (over 90%) indicated that they were ready to open their businesses.

TABLE 6.1 | Readiness to Open



CONCLUSIONS

The U.S. Virgin Island like the rest of the world experienced an unprecedented economic shock to both its public and private sectors. Within this study, the private sector of the USVI showed major negative shifts in the labor market, private gross revenue generation, and overall operational functionality. As indicated in Table 1.2, the USVI labor force was reduced in every major industry except the government sector from March to April 2020. In the USVI, leisure and hospitality businesses saw a reduction of 26.7% in the labor force — compared to 45.8% at the national level. Likewise, private services locally saw a reduction in the labor force of 13% whereas the national reduction was 15.4%.

Private gross revenue in the territory was significantly affected. Businesses under one million dollars in gross yearly revenue (GYR) anticipated losses of more than 50% of their GYR for the remainder of 2020 (Table 2.1). At the lowest GYR tier, over 30% of businesses between \$1K to \$50K GYR estimated losses of 75% - 100%. Subsequent GYR tiers in table 2.1 all indicate the majority of anticipated losses at 25% - 50% for the remainder of 2020. Businesses over one million dollars in GYR expressed that the majority of their losses were anticipated to be 50% - 75% with the exception of GYR tier of \$25M - \$100M (Table2.2).

Thirty-three percent (33%) of St. Thomas and thirty-seven percent (37%) of St. John based businesses described their anticipated GYR losses at 50% - 75% for 2020 (Table 2.5 & Table 2.6). Being that these islands are heavily dependent on tourism revenue, the large degree of anticipated revenue loss is possible. Twenty-six (26%) of St. Croix based businesses anticipate 25% - 50% of GYR losses (Table 2.4). Businesses on all three islands have similar concerns of 75% - 100% revenue loss, with an average of 14% of businesses agreeing that these major revenue losses were possible for 2020.

Returning to the local labor market, those with smaller work forces experienced the most furloughs or layoffs in the operations. Table 3.1 illustrates that businesses with a work force of 0 - 5, 5 - 15, and 15 - 30 employees saw an average of 63% reduction due to furloughs or layoffs. Businesses with more than 50 employees averaged around 4.7% of a work force reduction. Businesses in the territory indicated that thirty-five percent (35%) of their work force comprised of skilled laborers and twenty-two percent (22%) were unskilled/entry level laborers.

With the availability of financial assistance, differences in the types of aid needed for business varied between the islands. The majority of St. Croix based businesses, at twenty-four percent (24%), desired traditional SBA loans. On St. Thomas, however, twenty-nine percent (29%) of business wanted employee payroll subsidies (Table 4.1). Twenty-four percent (24%) of St. John based businesses preferred small loans from banks. The ability of businesses to apply for federal aid was overall positive with over 50% of businesses indicating that they either applied or were approved. However, 18.35% of business did not apply and 16.46% stated they were not eligible (Table 4.2)

Business respondents had differing opinions in the performance of the USVI Government when it came to local economic support and handling of the COVID-19 response efforts. Over 65% of businesses in the territory indicated negative opinions of the local efforts to provide economic relief or support (Table 5.1), while more than 45% of businesses responded with positive opinions of the USVI Government's efforts in handling the COVID-19 response (Table 5.2). However, varied in their opinions on response and support, over 76% of businesses stated their readiness to reopen in the month of May.

LIMITATIONS

While considerable effort was invested to collect and assimilate all relevant data for this study, there are limitations that are worth acknowledging for the readers of this report. Gathering data from business stakeholders within the community during the stay-at-home orders did provide unique challenges for those businesses that were not able to access their operations. In light of this, announcements surrounding the survey and related information were shared with news media outlets territory-wide including print, online, and radio. Additionally, the St. Croix Chamber of Commerce, the St. Thomas Chamber of Commerce, and the Virgin Island Hotel & Tourism Association assisted in disseminating this survey and relayed information to their members. With that, this study broadly covers the perspectives, experiences, and operational challenges of the business community.

The main limitation was available data on all the various types of businesses which is the reason for choosing a confidence level of 99% with a 10% margin of error rather than a 95% confidence level and a 5% margin of error. This information was compiled with other data sources that have categorized this target population such as the

Virgin Island Department of Labor and the Virgin Islands Office of Management & Budget. Nonetheless, this study provides an important source of information on the difficulties that U.S. Virgin Islands based business experienced as a result of COVID-19.

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