GOVERNMENT OF THE
VIRGIN ISLANDS
Ministry of Finance

SUMMARY OF MACRO-ECONOMIC REVIEW AND OUTLOOK 2024–2026

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Executive Overview

The Virgin Islands economy demonstrated **resilience and steady recovery in 2024**, despite global inflation, supply-chain challenges, geopolitical tensions, and climate risks. Economic performance was driven primarily by **tourism and financial services**, supported by steady employment growth and easing inflation toward the end of the period. While growth is expected to **moderate in 2025**, economic momentum is projected to **strengthen modestly in 2026** as infrastructure projects and tourism investments advance.

In 2024, **nominal GDP grew by 3.9%** and **real GDP by 3.3%**, while **employment rose by 2.6%** to 22,109 persons. Inflation peaked at **3.20% in 2024** but declined significantly in 2025. Looking ahead, the outlook for 2025–2026 is **cautiously optimistic**, with moderate GDP growth, stable financial services revenues, and expanding tourism capacity offset by risks related to global conditions, construction delays, and regulatory pressures.

Population, Employment, and Earnings

Population growth continues to mirror employment trends due to the Territory's dependence on migrant labour. In **2024**, population growth was estimated at **1.7%**, reaching **38,984 persons**, with population expected to expand within the **1–3% range** annually through 2026.

Employment remains a key indicator of economic health:

- Total employment increased from **21,543 in 2023 to 22,109 in 2024**.
- Approximately **73% of the workforce** consists of expatriates.
- Employment growth is concentrated in **tourism-related and professional services**, while **construction employment declined by over 8%** in 2024 due to project delays.

A notable shift occurred from full-time to part-time work:

- **Part-time employment rose by 28.1%**, largely in tourism-aligned industries.
- **Full-time employment declined by 13.0%**, particularly in Government Services and Construction.

This shift affected earnings:

- **Average earnings remained flat** at about **$29,300**.
- **Total earnings increased by 2.7%** to **$648.3 million**, but at a slower pace than in 2023.
- Income data show a **compression toward lower income brackets**, reflecting the growth in part-time work.

- The **Gini coefficient remained between 0.3 and 0.4**, indicating low-to-moderate income inequality.

Employment is projected to grow **1–2% in 2025** and **2–3% in 2026**, contingent on tourism growth and infrastructure rollout.

Inflation and Cost Pressures

The Virgin Islands' high import dependence leaves it particularly exposed to global price movements. Inflation reached **3.20% in 2024**, driven mainly by:

- Food and non-alcoholic beverages,
- Fuel and freight costs,
- Tourism-related services.

By mid-2025, inflation pressures eased significantly:

- Inflation averaged **1.81% through August 2025**.
- **Year-end 2025 inflation is projected at 1.84%**.
- Inflation is forecast to rise moderately to **2.26% in 2026**.

While easing inflation supports household spending and real GDP growth, **low-income households remain more vulnerable**, as food and energy account for a larger share of expenditures. Policy emphasis is placed on resilience, improved monitoring, and targeted mitigation measures.

Gross Domestic Product and Growth Outlook

Economic expansion slowed from the post-pandemic surge but remained positive:

- **Nominal GDP (2024): $1.82 billion**
- **Real GDP (2024): $1.63 billion**

The **construction sector contracted sharply**, with real output falling by approximately **50%** in 2024, limiting potential growth. Nonetheless, gains in tourism, financial services, and public administration offset this decline.

Sectoral contributions to GDP in 2024:

- **Financial and Insurance Activities:** ~32% of GDP

- **Professional Services:** ~10%
- **Accommodation and Food Services:** ~6%
- **Public Administration:** ~9%

GDP projections indicate:

- **2025:** Nominal growth of **0.1%**, Real growth of **0.4%**
- **2026:** Nominal growth of **2.8%**, Real growth of **1.0%**

Growth beyond these levels depends on **timely execution of infrastructure projects**, recovery in construction activity, tourism expansion, and stability in the financial services sector.

Financial Services Sector

Financial services remain the **anchor of the economy and public finances**:

- **27,362 new incorporations in 2024** (22.6% increase from 2023).
- **$253.6 million in fees collected in 2024**, over **52% of total government revenue**.
- Revenue is projected to reach **$263.6 million in 2025** and **$268.8 million in 2026**.

However, the sector faces heightened risk following the **FATF grey-listing in June 2025**, which may:

- Increase compliance costs,
- Slow new incorporations,
- Create reputational challenges.

In response, the Government and FSC are undertaking reforms, including:

- Expanded AML/CFT frameworks,
- Enhanced use of regulatory technology,
- Preparation for a **National Financial Services Strategy**,
- Introduction of a **legitimate interest beneficial ownership regime in 2026**.

Despite challenges, the industry is expected to remain stable through 2026.

Tourism Performance and Prospects

Tourism was the **strongest growth driver** in 2024:

- **1,091,742 total visitors**, up **9.7%** from 2023.
- First time since 2016 that arrivals exceeded one million.
- Cruise visitors comprised **70% of arrivals**, while **overnight visitors grew 16.6%**.

By end-2025, arrivals are projected at **1.12 million**, increasing further to **1.19 million in 2026**. However:

- **Tourism revenue remains below pre-2017 levels**, at **$444.2 million in 2024**.
- Revenue is projected at **$453.8 million in 2025** and **$462.3 million in 2026**, still below the 2016 peak.

Policy emphasis is shifting toward:

- **Higher-value overnight tourism**,
- Luxury and boutique developments (Peter Island, Bitter End, Oil Nut Bay),
- Events-based tourism and yachting reforms,
- Sustainability and environmental capacity management.

Construction, Imports, and Real Estate

Construction experienced a significant pullback:

- **Construction imports fell 30.3% in 2024** to **$53.7 million**.
- Real construction GDP declined by **51.1%**.
- Delays in public and private projects were the primary cause.

Medium-term prospects (2026 onward) improve due to extensive planned infrastructure and tourism investments.

Imports of other goods declined by **5.5% in 2024**, reflecting slowing activity.

Real estate showed mixed outcomes:

- **203 transactions in 2024**, up **15.3%** from 2023.
- Total sales value rose **10% to $102 million**.
- **Belongers accounted for nearly 88% of sales**, supported by the stamp duty waiver.
- Foreign investment remains critical, contributing **nearly 60% of total sales value**.

Sales are expected to remain around **$100 million in 2025** and soften slightly in 2026.

Conclusion and Strategic Implications

The MERO highlights a **resilient but vulnerable economy**, reliant on two main pillars—tourism and financial services—while construction and real estate cycles influence medium-term growth. Sustained progress will require:

- Improved project execution,
- Economic diversification,
- Investment in human capital and infrastructure,
- Strengthened governance and regulatory credibility,
- Greater focus on sustainability and resilience.

The overall outlook for **2025–2026 remains cautiously optimistic**, with modest growth expected as reforms and investments take effect.