

Iceland

Tourism in the economy and outlook for recovery

Prior to the COVID-19 pandemic, tourism was the major export earner in Iceland. In 2019, the sector accounted for ISK 470 billion in exports, equivalent to 35% of total export revenue and 67% of total service exports. The sector also directly contributed 8.1% to total GDP and employed 28 813 people, representing 15.9% of the workforce. In 2020, tourism's contribution to total GDP fell to 3.6%, and the sector employment fell to 20 426 people.

International tourists have been the driver of Iceland's tourism economy, accounting for 73% of total tourism expenditure in 2019. Following the COVID-19 pandemic, tourism came to a halt, with 486 000 international tourists in 2020, a 78% decline from the previous year. International tourism receipts fell to ISK 89.2 billion. This rebounded in 2021, but international tourists remained 68% below 2019 levels.

Domestic tourism has traditionally been stable but increased considerably during the pandemic due to border restrictions. Domestic tourists increased to 1.2 million in 2021, 70% higher than in 2019.

The recovery of the sector has been stronger than expected. In 2022, Iceland expects to receive 1.7 million international arrivals and a significant rise in tourism's contribution to GDP.

Tourism governance and funding

The Ministry of Culture and Business Affairs is responsible for developing tourism policy and co-ordinating governmental bodies' work. The Department of Business Affairs and Tourism is the lead department and oversees the operation and performance of the Icelandic Tourist Board. The Icelandic Tourist Board's responsibilities include implementing government tourism policy, planning and support for regional development, licensing and monitoring licensed activities, data collection, processing and presentation, safety, quality and consumer protection in tourism, and administration of the Tourist Site Protection Fund.

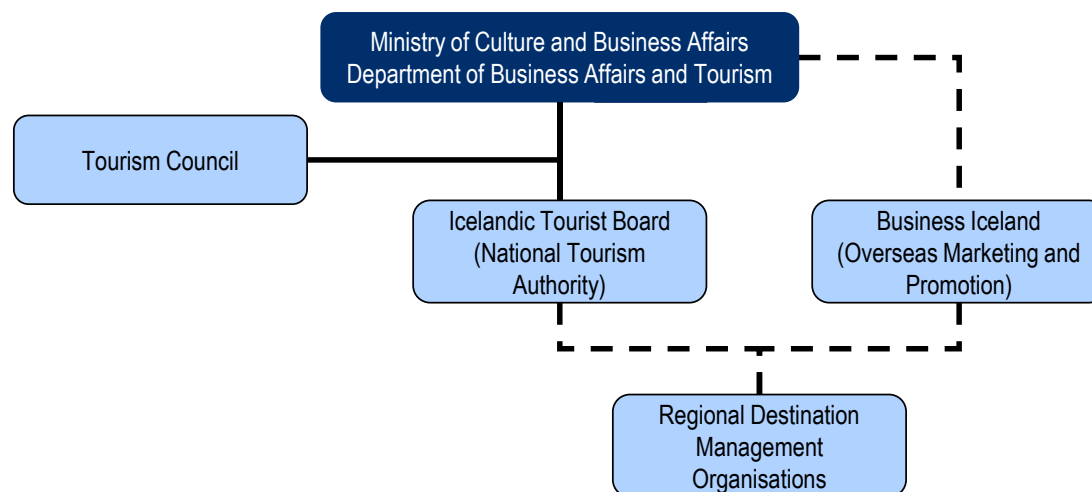
Visit Iceland is the official destination marketing organisation charged with attracting visitors to the country. It is part of Business Iceland, a public-private partnership overseen by the Ministry for Foreign Affairs. Business Iceland was established to promote Icelandic exports, foreign direct investments and Iceland as a tourism destination. A revised Tourism Council will partially take over the role of the Tourism Task Force, which co-ordinated implementing the actions in Iceland's Road Map for Tourism during the period 2015-20. The Tourism Council includes representatives from the ministries of tourism, finance, environment and infrastructure, the Icelandic Association of Local Authorities and the Icelandic Travel Industry Association.

Local municipalities are responsible for the planning and management of many visitor attractions. With the support of the Icelandic Regional Development Institute, associations of municipalities operate Development Agencies which deliver tourism projects. Destination management organisations established in each region as public-private entities are responsible for developing and implementing regional destination management plans and co-ordinating tourism priorities in collaboration with stakeholders, including Business Iceland and the Icelandic Tourist Board, which provides financial support.

The general overall budget allocated to tourism in 2020 was ISK 2 billion. In 2021 this was increased to ISK 2.6 billion, allocated as follows: ISK 679.6 million to the Icelandic Tourist Board, ISK 823 million to the Tourist Site Protection Fund and ISK 1 billion for tourism services, of which ISK 300 million was for marketing and promotion. An additional ISK 750 million was added to the tourism services budget for one year.

In 2020 an additional ISK 3 billion was added to the tourism services budget for one year for marketing and promotion, including domestic travel vouchers and international marketing campaigns.

Iceland: Organisational chart of tourism bodies



Source: OECD, adapted from the Ministry of Culture and Business Affairs, 2022.

Tourism policies and programmes

The Tourism Policy Framework 2020-30, published in 2019, sets out the future vision for tourism in Iceland. The framework has an overarching focus on sustainable development and is Iceland's policy document for tourism development. It emphasises value creation, innovation, quality of life for locals, a unique visitor experience, environmental conservation and a reduced carbon footprint. Work on a new action-oriented tourism strategy for 2020-25 was underway until the pandemic hit.

Iceland's main policy priority is to devise a new action-oriented strategy, considering new circumstances post-COVID-19, to support its Tourism Policy Framework to 2030. Another priority is implementing the Tourism Balance Axis, a measurement tool for the carrying capacity of the environment, infrastructure, society and economy. Until a new tourism strategy is in place, the following initiatives continue:

- Development of the Varða/Sites of Merit programme launched in 2021. The programme aims to lay a foundation for exemplary holistic destination management at popular tourist sites. Þingvellir National Park was the first destination awarded the Sites of Merit label in June 2022.
- Investment in infrastructure at tourist sites through the Tourist Site Protection Fund and the National Infrastructure Plan.
- Formalisation of regional destination management organisations and updates to regional destination management plans.
- Improvements to the regulatory framework of the tourism sector, following an OECD Competition Assessment Review of Laws and Regulations published in 2020.

- Implementation of a new law on the utilisation of state-owned land for commercial purposes, enabling a concessions regime for tour operations.
- Digitalisation projects, including a digital toolbox mapping the digital needs of tourism companies and a digital sandbox, a platform promoting collaboration between tourism and technology companies.
- Tourism-specific policy actions to reduce carbon emissions, including plans to increase the proportion of rental cars running on alternative fuels and the electrification of harbours.
- A renewed research plan by the Icelandic Tourist Board, including a study on the adaptability and resilience of the tourism industry and the development of macroeconomic and tourism forecasting models.
- Continued marketing support in 2022, including an ISK 550 million addition to the international marketing campaign for Iceland as a destination and marketing support for the airports at Egilsstaðir and Akureyri in East and North Iceland to encourage tourist distribution around Iceland.

Iceland's main lesson from the COVID-19 crisis is how important it is to diversify its economy, having become very dependent on tourism. Regarding specific COVID-19 measures, the reduced work-hour scheme effectively sustained employer-employee relations and prevented high unemployment. Other successful measures included loans for SMEs, simpler rules on financial restructuring and the establishment of a Package Travel Guarantee fund (see box below).

Throughout the pandemic, steps have been taken to support a competitive and sustainable tourism recovery. These steps include increased funding for infrastructure at tourist sites, airport extensions and improvements, road and harbour improvements, infrastructure to speed up the electrification of harbours and rental car fleet, additional funding for innovation, the launch of domestic travel vouchers and an international marketing campaign. Statistical indicators show that international visitors stay longer and spend more than pre-COVID-19. There are also opportunities to continue to focus more on the domestic market in the future.

Package Travel Guarantee Fund in Iceland

Package travel organisers in Iceland suffered heavily during the COVID-19 crisis. The insolvency protection system for package travel proved to be burdensome for package travel organisers following cancellations, reimbursements and issuing vouchers due to COVID-19.

To support the recovery of the sector and to make the insolvency system competitive with other systems in the EU area, Iceland supported the establishment of a Package Travel Guarantee Fund in June 2021. The Fund is mandated by law for all package travel providers. The establishment of the Fund reduces the heavy financial commitments of the previous system and provides better protection for consumers.

The Fund is a self-owned private institution financed by companies active in the sector. Package travel organisers pay an annual fee to the Fund, which becomes part of the Fund's equity and helps it grow and provide secure protection for consumers. Although established during the pandemic, the Fund is not a temporary but a permanent measure.

Statistical Profile


Iceland: Domestic, inbound and outbound tourism

	2017	2018	2019	2020	2021
TOURISM FLOWS, THOUSAND					
Domestic tourism					
Total domestic trips	..	..	..	..	..
Overnight visitors (tourists)	686	701	699	890	1 191
Same-day visitors (excursionists)	..	..	..	..	..
Nights in all types of accommodation	1 098	1 105	1 090	1 468	1 939
Hotels and similar establishments	599	661	581	745	1 097
Other collective establishments	451	402	450	586	726
Private accommodation	49	42	59	137	116
Inbound tourism¹					
Total international arrivals	2 690	..	2 598	489	717
Overnight visitors (tourists)	2 225	2 316	2 202	486	698
Same-day visitors (excursionists)	466 e	..	189	2	19
Top markets					
United States	576	695	464	53	227
Germany	156	139	132	44	64
United Kingdom	323	298	262	102	54
Nordic Countries	182	165	149	39	41
France	100	97	98	28	37
Nights in all types of accommodation	7 277	7 444	7 317	1 828	3 072
Hotels and similar establishments	4 974	5 200	5 211	1 275	2 142
Other collective establishments	1 527	1 519	1 389	367	702
Private accommodation	776	724	716	186	228
Outbound tourism					
Total international departures	..	..	..	..	..
Overnight visitors (tourists)	638	668	631	133	219
Same-day visitors (excursionists)	..	..	..	..	..
Top destinations					
..
..
..
..
..
TOURISM RECEIPTS AND EXPENDITURE, MILLION ISK					
Inbound tourism					
Total international receipts	501 446	519 374	467 864	89 198	..
International travel receipts	321 721	337 272	328 278	89 198 p	..
International passenger transport receipts	179 725	182 103	139 586	..	..
Outbound tourism					
Total international expenditure	184 233	206 964	211 109	70 957	..
International travel expenditure	177 049	198 178	192 782	70 957 p	..
International passenger transport expenditure	7 184	8 786	18 327	..	..

.. Not available; e Estimated value; p Provisional data

1. Arrivals from demand side surveys; Nights from supply side surveys.

Source: OECD Tourism Statistics (Database).

StatLink  <https://stat.link/wi1ay7>

Iceland: Enterprises and employment in tourism

	Number of establishments ¹	Number of persons employed ²				
	2021	2017	2018	2019	2020	2021
Total	2 147	..	..	..	..	..
Tourism industries	2 147	28 854	30 474	28 813	20 426	20 258
Accommodation services for visitors	562	6 646	6 768	6 663	4 051	4 076
Hotels and similar establishments	401	6 133	6 228	6 147	3 722	3 713
Food and beverage serving industry	672	10 023	9 815	9 269	7 286	8 163
Passenger transport	163	6 008	7 438	6 484	4 637	3 780
Air passenger transport	16	..	..	..	..	..
Railways passenger transport	0	0	0	0	0	0
Road passenger transport	126	..	..	..	..	..
Water passenger transport	21	..	..	..	..	..
Passenger transport supporting services	..	2 709	1 931	1 609	1 231	1 167
Transport equipment rental	52	1 201	1 210	1 131	793	774
Travel agencies and other reservation services industry	463	2 978	2 948	2 830	1 679	1 608
Cultural industry	55	532	559	550	532	522
Sports and recreation industry	143	735	791	839	720	737
Retail trade of country-specific tourism characteristic goods	..	..	..	..	..	..
Other country-specific tourism industries	37	732	946	1 047	730	598
Other industries	..	..	..	..	..	..

.. Not available

1. Data refer to number of enterprises.

2. Data refer to number of employees.

Source: OECD Tourism Statistics (Database).

StatLink  <https://stat.link/hkcd9z>

Iceland: Internal tourism consumption

Million ISK

	2021		
	Domestic tourism expenditure	Inbound tourism expenditure	Internal tourism consumption
Total	148 654 p	188 762 p	348 656 p
Consumption products	.. p	.. p	.. p
Tourism characteristic products	113 271 p	154 418 p	278 890 p
Accommodation services for visitors	43 174 p	40 138 p	83 553 p
Food and beverage serving services	12 137 p	20 447 p	32 760 p
Passenger transport services	12 745 p	33 883 p	50 234 p
Air passenger transport services	11 130 p	28 020 p	41 999 p
Railways passenger transport services	.. p	.. p	.. p
Road passenger transport services	1 520 p	4 255 p	6 388 p
Water passenger transport services	94 p	1 608 p	1 847 p
Passenger transport supporting services	.. p	.. p	.. p
Transport equipment rental services	7 013 p	21 997 p	29 278 p
Travel agencies and other reservation services industry	16 846 p	30 587 p	47 699 p
Cultural services	6 336 p	1 855 p	8 191 p
Sports and recreation services	15 021 p	5 511 p	20 532 p
Country-specific tourism characteristic goods	.. p	.. p	.. p
Country-specific tourism characteristic services	.. p	.. p	6 643 p
Other consumption products	35 383 p	34 344 p	69 766 p
Tourism connected products	.. p	.. p	.. p
Non-tourism related consumption products	35 383 p	34 344 p	69 766 p
Non-consumption products	.. p	.. p	.. p

.. Not available; p Provisional data

Source: OECD Tourism Statistics (Database).

StatLink  <https://stat.link/3tmk0o>



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