

# Iceland

## Tourism in the economy

Tourism is the major export earner in Iceland, accounting for ISK 520 billion in 2018 – equivalent to 39% of total export revenue. The sector directly contributed 8.6% of GDP in 2017, and employed some 30 000 people – representing 15.7% of the workforce. Travel exports represented 47.7% of total service exports in 2018.

After nine consecutive years of growth in tourism arrivals, the trend has recently slowed. International tourist arrivals totalled 2.0 million in 2019, representing a 14.2% decline from 2018. This is due mainly to reduced air access but also a strong Icelandic krona. The top three source markets by volume are the United States (23.4% of international tourists), the United Kingdom (13.2%), and Germany (6.7%). Together, these three markets account for 43.3% of total tourist arrivals.

Domestic tourism is relatively stable, with domestic overnight stays totalling 1.1 million in 2018, representing 13% of total overnight stays.

## Tourism governance and funding

The Ministry of Industries and Innovation is responsible for developing tourism policy and co-ordinating the work of governmental bodies. The recently merged Department of Tourism and Innovation, is the lead department and it oversees the operation and performance of the national tourism board, the Icelandic Tourist Board.

The Icelandic Tourist Board's responsibilities include the implementation of government tourism policy, planning and support for regional development, licencing and monitoring of licenced activities, data collection, processing and presentation, safety, quality and consumer protection in relation to tourism, and administration of the Tourist Site Protection Fund.

Visit Iceland is the official destination marketing office, charged with attracting visitors to the country. It is part of Promote Iceland, which is a public-private partnership established to promote Icelandic exports, foreign direct investments and Iceland as a tourism destination. Promote Iceland is overseen by the Ministry of Foreign Affairs.

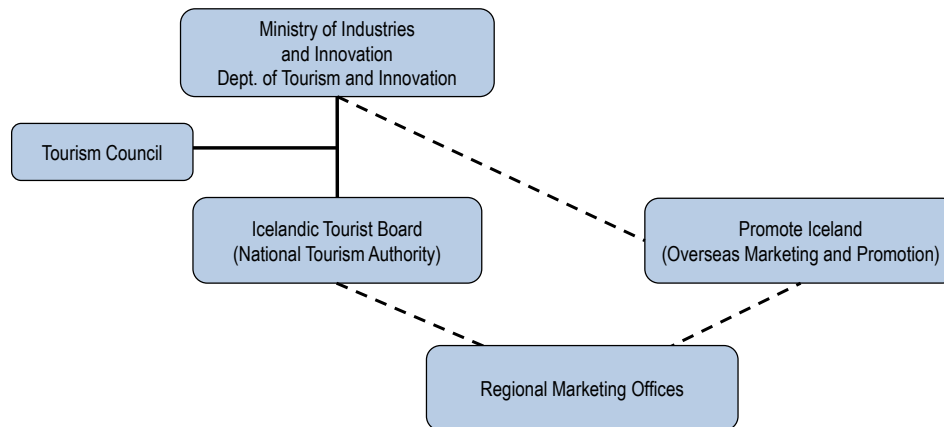
A Tourism Task Force established in 2015 was charged with implementing the Road Map for Tourism in Iceland covering the period to 2020. The Task Force includes different representatives of ministries responsible for tourism, finance, environment and natural resources, and transport and local authorities. The Task Force has served as a co-ordinator in Iceland's efforts to address tourism's impacts. When its mandate comes to an end in 2020, a revised Tourism Council, with wider membership, will continue much of the Task Force's work.

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 have delivered a variety of tourism projects, including the newly launched

Arctic Coast Way touring route. Seven regional marketing offices collaborate extensively with both Promote Iceland and the Icelandic Tourist Board, which provides financial support.

The overall public budget allocated to tourism in 2019 was ISK 2.2 billion, allocated as follows: ISK 714.4 million to the Icelandic Tourist Board, ISK 544 million to the Tourist Site Protection Fund, and ISK 1 billion to tourism services, of which ISK 405 million was for marketing and promotion.

### Iceland: Organisational chart of tourism bodies



Source: OECD, adapted from the Ministry of Industries and Innovation, 2020.

### Tourism policies and programmes

The key challenge for Iceland is to maximise the gains from tourism while protecting the assets upon which tourism depends. Tourism growth has increased pressure on nature, infrastructure and society. Tourism planning, infrastructure investment, data collection, tourist safety and visitor flow management remain priorities. Improved skills and quality (Box 1.13), and increased digitalisation of the sector are also important to maintain competitiveness. Reducing carbon emissions from tourism related activities is a further area of focus as part of the Government's plan for Iceland to become carbon-neutral by 2040.

A new long-term Tourism Policy Framework 2020-30 with a strong focus on sustainability was published in 2019. This will guide the work on a new action-oriented tourism strategy from 2020, together with a new Tourism Impact Assessment model, which takes the carrying capacity of the environment, infrastructure, society and economy into account and is fundamental to the future development of Icelandic tourism. Data from a new Environmental Assessment tool launched in 2019, to assess the status of protected areas and natural attractions, feeds into the Tourism Impact Assessment framework (Box 3.16).

Infrastructure at tourist sites is improved through the strategic National Infrastructure Plan, featuring 3-year rolling investment plans, and the Tourist Site Protection Fund. Criteria are being defined for the establishment of a Model Tourism Sites programme that will promote an exceptional tourist experience at selected natural attractions. Legislation is underway to enable a concessions regime for private tour operators to operate on public land. There are also plans to improve co-ordination in the field of nature conservation, with the establishment of a new National Park Institute.

Regional co-ordination is centred on seven regional Destination Management Plans developed in 2018-19, supported by the planned establishment of destination management organisations (DMOs) in each region by the end of 2021. The new DMOs will have a broader remit than the regional marketing offices currently in existence, and will co-ordinate tourism priorities and regional development with a broad mandate including data collection, innovation, product development, skills, digitalisation and marketing.

Marketing efforts under the Inspired by Iceland banner continue to focus on responsible travel behaviour. Tourism-specific policy actions to reduce carbon emissions include plans to increase the proportion of rental cars running on alternative fuels and the electrification of harbours.

Other areas of policy focus include:

- A Route Development Fund established in 2015 to encourage air access into regional airports.
- Development of the Arctic Coast Way long distance road route.
- Improvement of data collection arrangements via the Icelandic Tourist Board, including the recently established Tourism Data Dashboard.
- Development of a digital toolbox to make it easier for tourism businesses to analyse their technology needs and find solutions.
- Startup Tourism accelerator programme to encourage innovation in tourism, support new companies, create more recreational opportunities, and encourage tourist distribution across seasons and around the country.
- Tourism Cluster Initiative to promote competitiveness and value creation within the Icelandic tourism industry and to develop a co-operative network.
- Legislation on sharing accommodation economy, which limits home sharing to 90 days per year per household.
- Improvements to the regulatory framework of the tourism sector, following on from an OECD Competition Assessment Review of Laws and Regulations.

## Statistical Profile

### Iceland: Domestic, inbound and outbound tourism

	2014	2015	2016	2017	2018
<b>TOURISM FLOWS, THOUSAND</b>					
<b>Domestic tourism</b>					
Total domestic trips	..	..	..	..	..
Overnight visitors (tourists)	700	587	647	686	701
Same-day visitors (excursionists)	..	..	..	..	..
Nights in all types of accommodation	1 085	909	1 044	1 098	1 105
Hotels and similar establishments	500	496	598	599	661
Other collective establishments	510	366	397	451	402
Private accommodation	75	47	49	49	42
<b>Inbound tourism<sup>1</sup></b>					
Total international arrivals	1 250	1 587	2 146	2 690	..
Overnight visitors (tourists)	998	1 289	1 792	2 225	2 344
Same-day visitors (excursionists)	252	298 e	354 e	466 e	..
Top markets					
United States	152	243	415	576	695
United Kingdom	181	241	316	323	298
Nordic Countries	164	160	175	182	165
Germany	94	103	133	156	139
France	59	66	85	100	97
Nights in all types of accommodation	4 405	5 561	6 764	7 277	7 444
Hotels and similar establishments	2 787	3 613	4 571	4 974	5 200
Other collective establishments	1 107	1 260	1 438	1 527	1 519
Private accommodation	511	688	754	776	724
<b>Outbound tourism</b>					
Total international departures	..	..	..	..	..
Overnight visitors (tourists)	413	467	558	638	668
Same-day visitors (excursionists)	..	..	..	..	..
Top destinations					
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	..	..	..
<b>TOURISM RECEIPTS AND EXPENDITURE, MILLION ISK</b>					
<b>Inbound tourism</b>					
Total international receipts	304 641	369 554	462 542	501 446	340 021 p
International travel receipts	160 079	213 349	289 343	321 721	340 021 p
International passenger transport receipts	144 562	156 205	173 199	179 725	..
<b>Outbound tourism</b>					
Total international expenditure	120 744	139 278	159 587	184 233	199 253 p
International travel expenditure	113 605	131 407	152 025	177 049	199 253 p
International passenger transport expenditure	7 139	7 871	7 561	7 184	..

.. 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  <http://dx.doi.org/10.1787/888934076970>

## Iceland: Enterprises and employment in tourism

	Number of establishments <sup>1</sup>	Number of persons employed <sup>2</sup>				
	2018	2014	2015	2016	2017	2018
<b>Total</b>	..	..	..	..	..	..
<b>Tourism industries</b>	<b>2 164</b>	<b>19 205</b>	<b>21 734</b>	<b>25 667</b>	<b>28 552</b>	<b>30 090</b>
Accommodation services for visitors	568	4 187	4 945	5 940	6 535	6 602
Hotels and similar establishments	451	3 834	4 542	5 517	6 075	6 186
Food and beverage serving industry	614	7 489	8 264	9 209	9 866	9 737
Passenger transport	200	3 794	4 149	4 963	5 736	7 167
Air passenger transport	16	..	..	..	..	..
Railways passenger transport	0	0	0	0	0	0
Road passenger transport	163	..	..	..	..	..
Water passenger transport	21	..	..	..	..	..
Passenger transport supporting services	..	..	..	..	..	..
Transport equipment rental	62	592	749	1 012	1 199	1 191
Travel agencies and other reservation services industry	559	2 018	2 507	3 388	3 966	4 063
Cultural industry	54	418	464	472	529	555
Sports and recreation industry	107	707	656	683	722	775
Retail trade of country-specific tourism characteristic goods	..	..	..	..	..	..
Other country-specific tourism industries	..	..	..	..	..	..
<b>Other industries</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

.. Not available

1. Data refer to number of enterprises.

2. Data refer to number of employees.

Source: OECD Tourism Statistics (Database).

StatLink  <http://dx.doi.org/10.1787/888934076989>

## Iceland: Internal tourism consumption

Million ISK

	2017		
	Domestic tourism expenditure	Inbound tourism expenditure	Internal tourism consumption
<b>Total</b>	<b>130 558</b>	<b>376 578</b>	<b>534 009</b>
<b>Consumption products</b>	<b>130 558</b>	<b>376 578</b>	<b>534 009</b>
Tourism characteristic products	104 781	320 833	452 256
Accommodation services for visitors	30 256	85 627	124 560
Food and beverage serving services	5 853	38 698	49 460
Passenger transport services	22 306	79 859	113 951
Air passenger transport services	19 771	64 968	95 718
Railways passenger transport services	..	..	..
Road passenger transport services	1 636	14 233	16 522
Water passenger transport services	899	658	1 711
Passenger transport supporting services	..	..	..
Transport equipment rental services	8 429	36 013	45 118
Travel agencies and other reservation services industry	25 588	71 418	97 603
Cultural services	4 003	3 447	7 451
Sports and recreation services	8 346	5 770	14 116
Country-specific tourism characteristic goods	..	..	..
Country-specific tourism characteristic services	..	..	..
Other consumption products	25 777	55 746	81 753
Tourism connected products	23 207	51 266	74 472
Non-tourism related consumption products	2 571	4 480	7 280
<b>Non-consumption products</b>	<b>..</b>	<b>..</b>	<b>..</b>

.. Not available

Source: OECD Tourism Statistics (Database).

StatLink  <http://dx.doi.org/10.1787/888934077008>



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