Iceland

Tourism in the economy

Iceland has been experiencing a tourism boom, with arrivals growing annually on average by 24.4% since 2010, far exceeding forecasts. Iceland received 1.8 million international tourists (overnight visitors) in 2016, representing a 39% increase on 2015. 2.3 million international tourists are estimated for 2017.

Tourism has played a major role in Iceland's economic recovery and growth in recent years, building an unprecedented surplus in foreign trade and creating new businesses and jobs. It is now the major export sector, accounting for ISK 462 billion (39%) of total foreign currency revenue in 2016; more than fisheries and aluminium combined. The total direct number of employees in activities related to tourism was around 25 000 in 2016, 14% of the Icelandic workforce. Tourism's direct contribution to GDP was 8.4% in 2016.

The top three source markets by volume are the United States, the United Kingdom and Germany, with especially strong growth from North America, the United Kingdom and, most recently, China. The diversification of inbound markets has contributed to reduced seasonality. The domestic market of approximately 340 000 inhabitants is relatively stable, with domestic overnight stays totalling 1 million in 2016.

Tourism governance and funding

The Ministry of Industries and Innovation is responsible for tourism. The Icelandic Tourist Board (ITB) handles the implementation of tourism affairs on behalf of the Ministry, including:

- Issuing licenses, registration and monitoring operational requirements,
- Development and organisational issues related to tourism, including implementing a defined tourism strategy,
- Regional and local development, with a focus on the development of Destination Management Plans (DMPs),
- Responsibility for running the official quality and environmental system within Icelandic tourism (VAKINN), the Tourist Site Protection Fund, and the collection of data on tourist numbers, expectations and experiences.

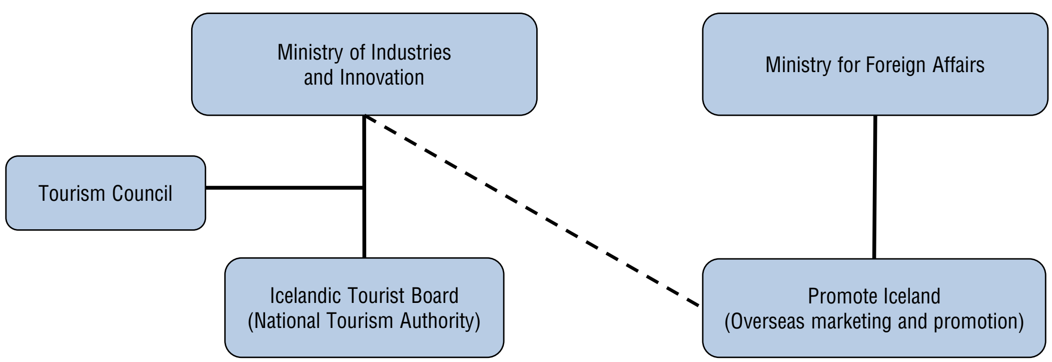
Marketing and promotion is the responsibility of Promote Iceland, an agency under the Ministry for Foreign Affairs. Promote Iceland is a public-private partnership whose goals are promoting Iceland as a tourism destination, assisting in the promotion of Icelandic culture abroad, and introducing Iceland as an attractive option for foreign direct investment. Visit Iceland is part of Promote Iceland and is the official destination marketing office for Iceland, aiming to attract visitors to the country.

The Icelandic Tourism Council is appointed by the Minister of Tourism, Industry and Innovation and advises the Minister on matters concerning tourism. The Council comments on amendments to tourism-related legislation and regulations and on other matters assigned to it by the Minister or that it deems appropriate in the interests of the tourism industry. The Tourism Council brings together representatives from the Ministry, the Icelandic Travel Industry Association, the Icelandic Association of Local Authorities, the Iceland Tourism Association and Promote Iceland.

A specific Tourism Task Force was established in 2015 and charged with implementing a Road Map for Tourism in Iceland. The Task Force includes various ministries (responsible for tourism, finance, environment, natural resources, transport and local government) and representatives of the industry and local authorities. The Task Force is set to operate temporarily until 2020.

Municipalities are responsible for planning issues and many tourist attractions. With the support of the Icelandic Regional Development Institute, regional associations of municipalities operate Developmental Agencies, and have implemented various tourism development projects. Seven regional marketing offices work on promoting tourism to the regions. They collaborate extensively with both Promote Iceland and the Icelandic Tourist Board, which provides financial support for their work.

Iceland: Organisational chart of tourism bodies



Source: OECD, adapted from the Ministry of Industries and Innovation, 2018.

In 2017 the overall public budget allocated to tourism was ISK 1.7 billion. The main source of funding is through the general budget. Besides the general budget, 60% of the accommodation tax goes directly to the Tourist Site Protection Fund. The overall budget allocated to tourism is divided between three main organisations and funds. In 2017 the division was as follows: The Icelandic Tourist Board ISK 373.8 million, the Tourist Site Protection Fund ISK 576 million, while a budget of ISK 761.4 million was allocated to tourism services (of which ISK 390 million was for marketing and promotion).

Tourism policies and programmes

The central challenge for Iceland is to maximise the gains from tourism for the population while protecting the assets upon which tourism is built. Sustained and rapid tourism growth in Iceland is putting increased pressure on nature, infrastructure and society. Tourism planning, infrastructure investment (e.g. roads, sanitary facilities, site facilities, housing, tourist information provision), and managing visitor flow at the most popular natural sites, are key priorities. A more recent issue is the exchange rate appreciation that may affect Iceland's price competitiveness as a destination and thus tourism demand and travel patterns. Tourism's contribution to climate change is yet another concern.

Iceland's Road Map for Tourism 2015-2020 emphasises seven core issues: Coordinating management of tourism, ensuring positive visitor experiences, improving data reliability and comparability, promoting nature conservation, improving skills and quality, increasing profitability, and furthering the distribution of tourists around the country.

Actions defined in the Road Map are well underway with several initiatives implemented specifically to improve tourism management and distribution (Box 1.6), including: encouraging direct international flights to airports outside of Reykjavik; the development of Destination Management Plans for each region; reforms to the Tourist Site Protection Fund (Box 3.8) and new National Infrastructure Plan to improve the efficiency of infrastructure development at major tourist sites; and increased funding for the promotion of safe and responsible travel behaviour through marketing and information campaigns.

Destination Management Plans in Iceland

The Icelandic Government is aware of the need for destination management and planning for the future sustainable development of tourism. In 2015 the Icelandic Tourist Board (ITB), along with the Tourism Task Force, launched the development of Destination Management Plans (DMPs). This holistic approach takes into account the planning and coordination of development and management of tourist flows in each region and strengthens the local tourism support frameworks.

DMPs are joint policy statements intended to steer growth and development of areas over a certain amount of time, define stakeholders' roles, and specify certain actions that each stakeholder is responsible for, and the resources that they need to carry out their responsibilities.

The DMP project divides Iceland into seven different regions. The regional marketing offices carry out the development of the DMPs in each region, with ITB overseeing the project. The final product will be a plan including a shared vision of all stakeholders for tourism development in the region and a prioritised three year action plan on how to deliver that vision. Each project within the action plan has set milestones and a budget plan where the responsibilities and contribution of all stakeholders are clearly stated. The first DMP plans will be ready in spring of 2018 and will be revised every three years.

To ensure coordination in all layers of public planning, the DMPs will act as a very important compass both for regional plans, such as the general land use plans of municipalities, and other national plans, such as the National Transport Plan, the Regional Development Plan, and the National Infrastructure Plan for the Protection of Nature and Sites of Cultural and Historical Value.

Other recent and ongoing policy developments include increased funding for research, the establishment and continued development of a tourism education and training program to improve skills, new legislation on home sharing to help level the playing field in the short-term rentals market, and raising the accommodation tax. Tourism-specific actions to help reduce carbon emissions and fulfil Iceland's responsibilities concerning the Paris agreement are also in the process of being formulated.

Preparations have commenced for a new official tourism strategy for Iceland 2020-2025, building on the current Road Map and the coordination model of the Tourism Task Force.

Statistical profile

Table 1. **Iceland: Domestic, inbound and outbound tourism**

	2012	2013	2014	2015	2016
TOURISM FLOWS, THOUSAND					
Domestic tourism					
Total domestic trips	..	..	..	..	..
Overnight visitors (tourists)	..	..	..	..	..
Same-day visitors (excursionists)	..	..	..	..	..
Nights in all types of accommodation	854	1 025	1 085	909	1 044
Hotels and similar establishments	461	516	537	534	630
Specialised establishments	37	48	38	42	61
Other collective establishments	316	405	435	285	304
Private accommodation	40	56	75	47	49
Inbound tourism					
Total international arrivals	885	1 034	1 250	1 587	2 159
Overnight visitors (tourists)	673	807	998	1 289	1 792
Same-day visitors (excursionists)	212	227	252	298	367
Top markets					
United States	95	120	152	243	415
United Kingdom	95	137	181	241	316
Nordic Countries	145	150	164	160	175
Germany	70	83	94	103	133
France	42	49	59	66	85
Nights in all types of accommodation	2 898	3 522	4 405	5 561	6 764
Hotels and similar establishments	2 241	2 650	3 127	4 053	5 027
Specialised establishments	..	..	..	..	..
Other collective establishments	283	377	597	597	737
Private accommodation	267	363	511	688	754
Outbound tourism					
Total international departures	..	..	..	..	..
Overnight visitors (tourists)	374	382	413	467	557
Same-day visitors (excursionists)	..	..	..	..	..
Top destinations					
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	..	..	..
..	..	..	..	..	..
TOURISM RECEIPTS AND EXPENDITURE, MILLION ISK					
Inbound tourism					
Total international receipts	239 427	276 338	304 641	369 539	292 843 p
International travel receipts	107 953	130 765	160 079	213 335	292 843 p
International passenger transport receipts	131 475	145 574	144 562	156 205	..
Outbound tourism					
Total international expenditure	105 455	110 759	120 713	139 278	154 297 p
International travel expenditure	97 641	103 452	113 590	131 407	154 297 p
International passenger transport expenditure	7 814	7 307	7 124	7 871	..

.. Not available; p Provisional data
Source: OECD Tourism Statistics (Database).

StatLink http://dx.doi.org/10.1787/888933640272

Table 2. **Iceland: Enterprises and employment in tourism**

	Number of establishments[1]	Number of persons employed[2]				
	2016	2012	2013	2014	2015	2016
Total	..	..	..	..	..	..
Tourism industries	**1 847**	**15 904**	**17 492**	**19 201**	**21 724**	**25 620**
Accommodation services for visitors	481	3 159	3 668	4 188	4 945	5 937
Hotels and similar establishments	368	2 918	3 367	3 835	4 542	5 517
Food and beverage serving industry	567	6 518	6 990	7 490	8 264	9 171
Passenger transport	158	3 276	3 513	3 801	4 152	4 966
Air passenger transport	16	..	..	..	..	..
Railways passenger transport	0	0	0	0	0	0
Road passenger transport	140	..	..	..	..	..
Water passenger transport	2	..	..	..	..	..
Passenger transport supporting services	..	..	..	..	..	..
Transport equipment rental	66	405	484	592	749	1 011
Travel agencies and other reservation services industry	436	1 443	1 734	2 007	2 494	3 382
Cultural industry	47	403	399	417	463	472
Sports and recreation industry	92	701	703	708	656	683
Retail trade of country-specific tourism characteristic goods	..	..	..	..	..	..
Other country-specific tourism industries	..	..	..	..	..	..
Other industries	..	..	..	..	..	..

.. 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/10.1787/888933640291

Table 3. **Iceland: Internal tourism consumption**

Million ISK

	2015		
	Domestic tourism expenditure	Inbound tourism expenditure	Internal tourism consumption
Total	..	..	..
Consumption products	**111 142**	**263 218**	**396 875**
Tourism characteristic products	87 181	221 666	330 915
Accommodation services for visitors	28 077	56 025	91 111
Food and beverage serving services	4 852	25 712	33 513
Passenger transport services	20 900	73 195	105 317
Air passenger transport services	17 651	57 716	85 854
Railways passenger transport services	0	0	0
Road passenger transport services	2 404	13 748	16 747
Water passenger transport services	845	1 732	2 717
Passenger transport supporting services	..	..	..
Transport equipment rental services	12 753	23 173	36 225
Travel agencies and other reservation services industry	12 370	31 149	44 106
Cultural services	2 468	1 716	4 183
Sports and recreation services	5 761	10 697	16 458
Country-specific tourism characteristic goods	..	..	..
Country-specific tourism characteristic services	..	..	..
Other consumption products	23 961	41 551	65 959
Tourism connected products	21 618	37 905	59 524
Non-tourism related consumption products	2 343	3 646	6 436
Non-consumption products	..	..	..

.. Not available
Source: OECD Tourism Statistics (Database).

StatLink http://dx.doi.org/10.1787/888933640310

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