Travel and Tourism in Iceland

Icelanders have significantly increased their trips abroad

Outbound trips by Icelandic visitors increased by 113% during the last five years period, principally to the UK, the US, Spain and Denmark. Growth was fuelled not only by the expansion of Icelandair's fleet and network but also by low-cost carrier Iceland Express, which started operations in early 2003. Due to the small size of the population and its remoteness from other countries, outbound tourism is expected to grow at a steady, rather than spectacular rate, in the foreseeable future.

Cruise passengers: a valuable Icelandic commodity

Because of the limited number of countries which can be visited on a Nordic or Arctic cruise, vessels usually visit at least two ports in the country, unlike in saying Malta or Cyprus. Cruise visitors, which have strongly increased in number since 1999, spend almost as much time in Iceland as the average overnight visitor. Due to their higher wealth, their average spending is likely to exceed that of the average foreign tourist in Iceland.

Living with seasonality

Despite the best efforts of the local tourist authorities to promote winter holidays, over half of all bed nights by foreigners occur during two months of the year. Much of the industry shuts down for six months of the year and there is a chain of hotels owned by Icelandair which is marketed as a chain of “summer hotels”. Outbound tourism shows similar seasonality, albeit not as extreme, and so the economics of much of the travel and tourism industry are less robust than in countries which are year-round destinations.

Travel retail and car rental markets are in a healthy state

As a result of the wide variety of activities available in Iceland, strong growth in inbound, domestic and outbound tourism and the relative expense of domestic air travel, both the travel retail and car rental markets expanded over the 2003-2008 year period. Although some consolidation in travel agencies is likely to occur within the next five years period, no significant changes in either market are expected, except for a gradual increase in online usage.

Top 10 Source Countries for Iceland Tourism ('000 people)

Forecast

2008

2009

2010

Arrivals to Iceland

1054,5

1053,7

1054,3

Arrivals from Germany

182,1

182,0

182,1

Arrivals from United Kingdom

128,1

128,0

128,1

Arrivals from France

97,7

97,7

97,8

Arrivals from USA

72,2

72,0

72,1

Arrivals from Netherlands

65,4

65,4

65,5

Arrivals from Denmark

58,0

57,8

57,9

Arrivals from Italy

56,5

56,5

56,5

Arrivals from Sweden

46,1

46,1

46,1

Arrivals from Spain

44,9

44,9

45,0

Arrivals from Norway

38,9

38,8

38,9

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