

# TOURISM IN ICELAND BOOMING, BUT FACES OVERTOURISM



Since 2010, the number of tourists in Iceland has increased fivefold. The sector has become the most important foreign exchange earner. The rapid increase in tourism in Iceland, however, has its side effects as well.

It is a picture from another world. It is hardly surprising that the Vatnajökull park is one of the most visited attractions of Iceland. Tourists come in masses, even though they have to travel a long journey. The drive from the capital Reykjavik takes several hours. Nevertheless, even on a cold Autumn day, the parking lots are well filled, off season or not.

Those who made it to the Iceberg Lagoon have already eagerly spent money. **Iceland has become one of the most expensive travel destinations in Europe in recent years.** This has a lot to do with the devastating financial crisis of 2008. The currency has made up a lot of ground. So much that tourists from Europe and America today get about a third less Icelandic krona for their dollars and euros compared to the value from 2009.

On the other hand, prices for goods and services have risen sharply in nominal terms. Not least because of the growing demand from tourists. Tourism in Iceland recorded just under 500,000 foreign visitors in 2010, compared to 1.8 million in 2016. This year it is estimated that 2.5 million tourists will have visited the country. All of these need lodging, food, are interested in entertainment, rental cars and much more. In other words, they are making demands on an economic area which has only 340,000 permanent inhabitants.

## Stormy Development

Tourism-generated growth has also boosted wages significantly, much faster than inflation. According to Statistics Iceland, the purchasing power of an Icelandic salary was 5.6% higher in June 2017 than twelve months earlier.

Thus, within a few years, tourism in Iceland has become the key sector of the economy. According to estimates by financial experts, in 2017 tourism should bring about 45% of all foreign exchange earnings to the state budget. In comparison, in 2010 tourism brought only 19%. It is also responsible for around 10% of the country's GDP.

As a job-hungry industry, tourism is arguably Iceland's most important sector. However, the resources

allocated to it at the political and administrative levels seem to lag significantly behind the stormy development.

Many travel industry experts point that tourism in Iceland growing too fast. Last year the sector was up by 39%. Currently, however, the increase seems to be somewhat easing.

### **Troubles with Mass Tourism**

Experts refer to the issues within tourism in Iceland that need to be dealt with. For example, infrastructure needs to be improved. If Iceland is priced in the top league, then the offer and services must be right, so that the long-term reputation of the country as a destination does not suffer.

There is also the question of how many tourists can the country cope with without ruining the very resource that attract most visitors – tranquil and spectacular, untouched nature.

Moreover, the direction of the industry is also to be discussed. Iceland is focusing mainly on the American and European market, not on the Asian region. The latter is likely to have the greatest growth potential of all. However, it is in Iceland's interest to try to avoid mass tourism.

Anyway, especially in Reykjavik there is a real danger that the population will no longer see economic opportunities in the arriving masses. Some are starting to perceive it as a kind of nuisance. As a result, the reputation of the "Iceland brand" could suddenly be at stake.

### **Residents Becoming Annoyed**

In fact, surveys show that the attitude of locals towards foreign visitors could tip over. Not only are tourists sometimes accused of not treating Icelandic nature with the respect it deserves, they are also responsible for cost pressures in the housing market and entertainment sector. Housing in particular has become scarcer in the city center of Reykjavik. The reason for this is the demand for accommodation, due to which many apartments have been withdrawn from the traditional rental market and leased via intermediary services such as Airbnb.

Residents in the center also find the pick-up and drop-off service a thorn in their side that travel agencies operate to bring customers to their day-trip terminals. Therefore, **the city of Reykjavik has begun to set up collection points not to allow the buses to pull up to any hotel or guest house in the center.**

Industry experts, however, believe that this trend is dangerous. After all, tourism is the industry that has not only created numerous jobs in recent years, but has also brought prosperity to a broader population. That should not be forgotten.

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