

ICELAND EXPECTS A TOURISM DECLINE



During the past years, Iceland was successfully recovering from its economic collapse. However, now it seems that a new problem is arising in the country. A problem connected to one of the main industries of the country – tourism.

After years of incredible growth, the industry is cooling down and airlines are starting to have more and more problems with the imminent tourism decline. This would be a big blow for a country whose largest “export” is exactly tourism. **It also accounts for 12% of the country’s GDP and 20% of business investments.**

The downfall is most evident in the key parts of the industry. Icelandic airlines are currently struggling to cope with several issues. For example, Icelandair had to look for help from bondholders this week after issuing a profit warning. The company’s CEO also quit two months ago, deepening the struggles.

Moreover, Wow Air is also dealing with issues. The low-cost airline is the main carrier of the country together with Icelandair. The company has been subject to controversy after raising new funds through a bond issue. They have also cancelled several flights, varying from Stockholm, Edinburgh to San Francisco.

Similar issues have also struck other Nordic airlines like Primera Air, Norwegian Air. As a result of these problems, the Icelandic central bank had to intervene in the currency market to stop the krona from falling amid the problematic situation of Wow Air.

“It is no secret that airlines, in particular here in the North Atlantic, are now dealing with a more difficult operating environment than before,” Central Bank Governor Mar Gudmundsson told Icelandic media. **He also added that oil prices have almost doubled and that the competition on the market is big.**

Iceland registered an increase in visitors of 40% in 2016. Last year it fell to an increase of 24%. This year’s increase is projected to be 15%, according to experts. The tourism decline could affect the whole economy. That includes even the labor demand, investments and much more.

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