

# ICELANDIC TOURISM INDUSTRY AFFECTED BY VOLCANIC ERUPTIONS



Iceland has become a desirable tourist destination in recent years, displaying one of the most impressive recoveries in air travel among destinations since the pandemic began. The country's breathtaking landscapes, geothermal wonders, and sustainable tourism approach have made it an attractive option for travelers worldwide. However, with increasing global competition and the potential impact of natural events such as earthquakes and volcanic eruptions, the Icelandic tourism industry must rely on changing preferences and industry dynamics.

In 2022, Iceland was the most successful European destination to recover from the pandemic, with a 17% decrease in international visitors compared to 2019. **Key markets like the USA and Germany showed better results than average, with visits decreasing by only 5% and 3%,** respectively, due to Iceland's open-border policy for vaccinated tourists and the strength of the American dollar.

Tourist arrivals from the USA increased above the 2019 levels in July and October of that year, with an 8% and 20% growth, respectively, compared to the comparable months before the pandemic. This indicates the strong demand from its main source market and a marked seasonality.

## Icelandic Tourism Industry Recovery Depends on Natural Events

Alongside Iceland's impressive post-pandemic recovery, the nation has experienced several volcanic eruptions on the Reykjanes peninsula since spring 2021. These events have caught the world's attention and highlighted Iceland's unique offerings. Still, they have also raised concerns among potential travelers, echoing memories of the Eyjafjallajökull volcano eruption in 2010, which caused significant travel disruptions globally. Although the recent eruptions have been mostly harmless, the possibility of disruption has discouraged some visitors.

After analyzing the weekly trends of global flight searches for trips to Iceland, it is evident that events like volcanic eruptions and natural occurrences associated with them significantly impact search patterns. Typically, earthquake swarms precede volcanic eruptions, often widely reported in the media. Such incidents can discourage tourists from planning trips to Iceland while volcanic activity is ongoing.

Towards the end of 2023, when the seismic and volcanic activity moved closer to the town of Grindavik and the Blue Lagoon, a 3% drop in searches was observed during the week of the first eruption in November. A further decline of 18% was recorded on December 18, coinciding with the start of a new eruption that led to the evacuation of Grindavik.

## Positive Number of Tourist Arrivals

International arrivals in Iceland in 2023 were positive, with only a 1% decrease compared to 2019. However, this recovery faced some setbacks due to various volcanic occurrences. The eruption of Litli-Hrútur in July and an earthquake in November caused a drop in international arrivals in August. From September to November, there was a recovery, but another drop occurred in December due to

an earthquake swarm and the temporary closure of the Blue Lagoon. August and December are important months for Iceland's seasonal tourism, and the decline in arrivals hurt the country's overall performance in 2023.

### **Iceland's Authority Responds**

Iceland's government has taken action to address the decline in travel interest caused by recent events. They have set up better safety monitoring and communication systems and invested in infrastructure development to enhance accessibility to popular tourist destinations while preparing for natural events. However, media coverage still heavily influences travel interest.

**This decline in interest is expected to continue in 2024 and highlights the relationship between Iceland's natural phenomena and its status as a travel destination.** The Icelandic tourism industry needs to monitor data and make informed decisions. Real-time travel data is now crucial for Icelandic authorities and businesses to dispel misinformation and shape strategies that align with rapidly changing market conditions. This helps mitigate potential challenges caused by negative events and perceptions.

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