The future of tourism in Iceland

Regional Economic impact

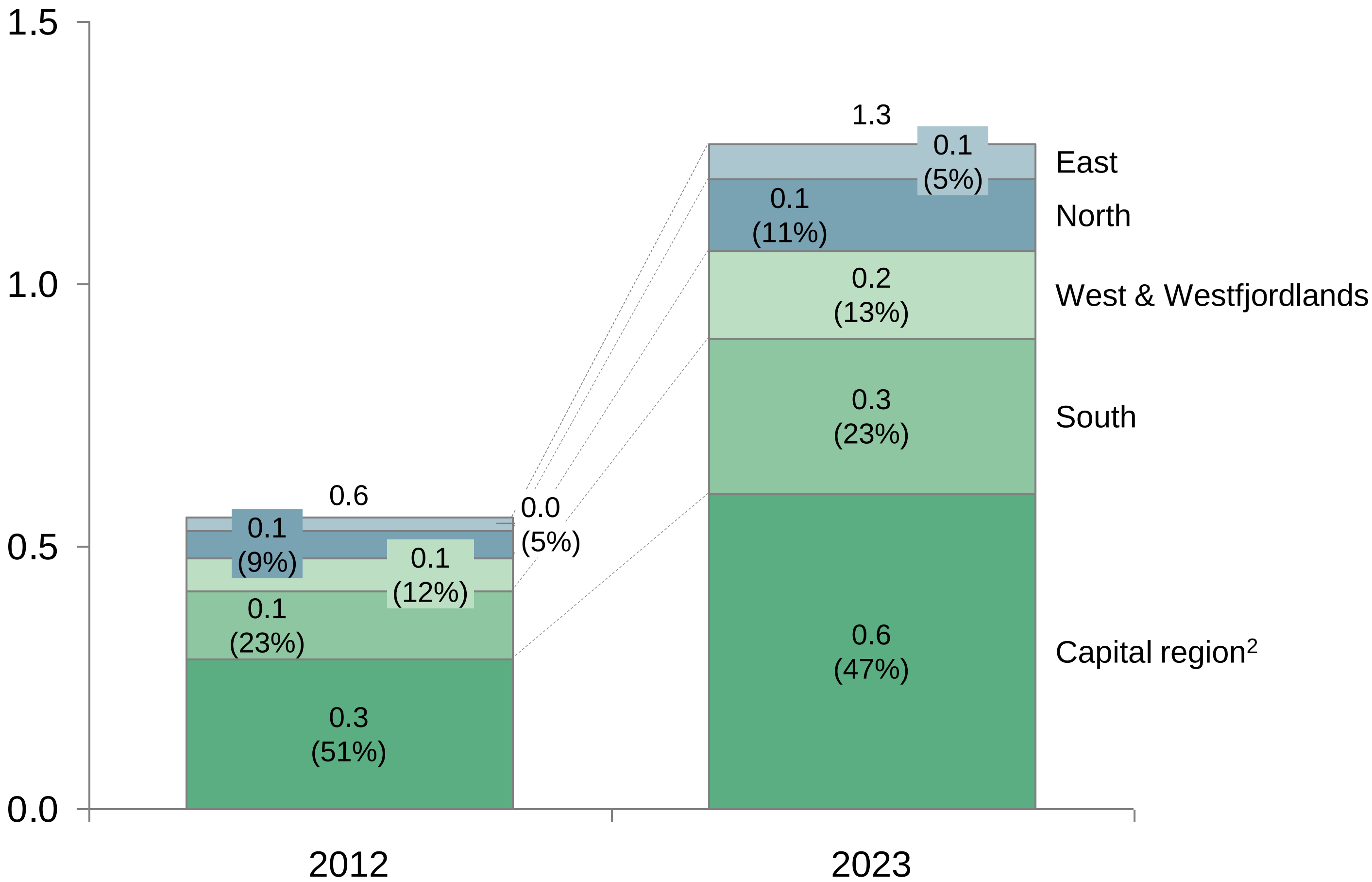
September 2013

THE BOSTON CONSULTING GROUP

Tourism's direct GDP impact on East/North/West to grow >2x

Direct spend only, excl. travel to Iceland

Direct real GDP excl. travel to Iceland ($B)[1]



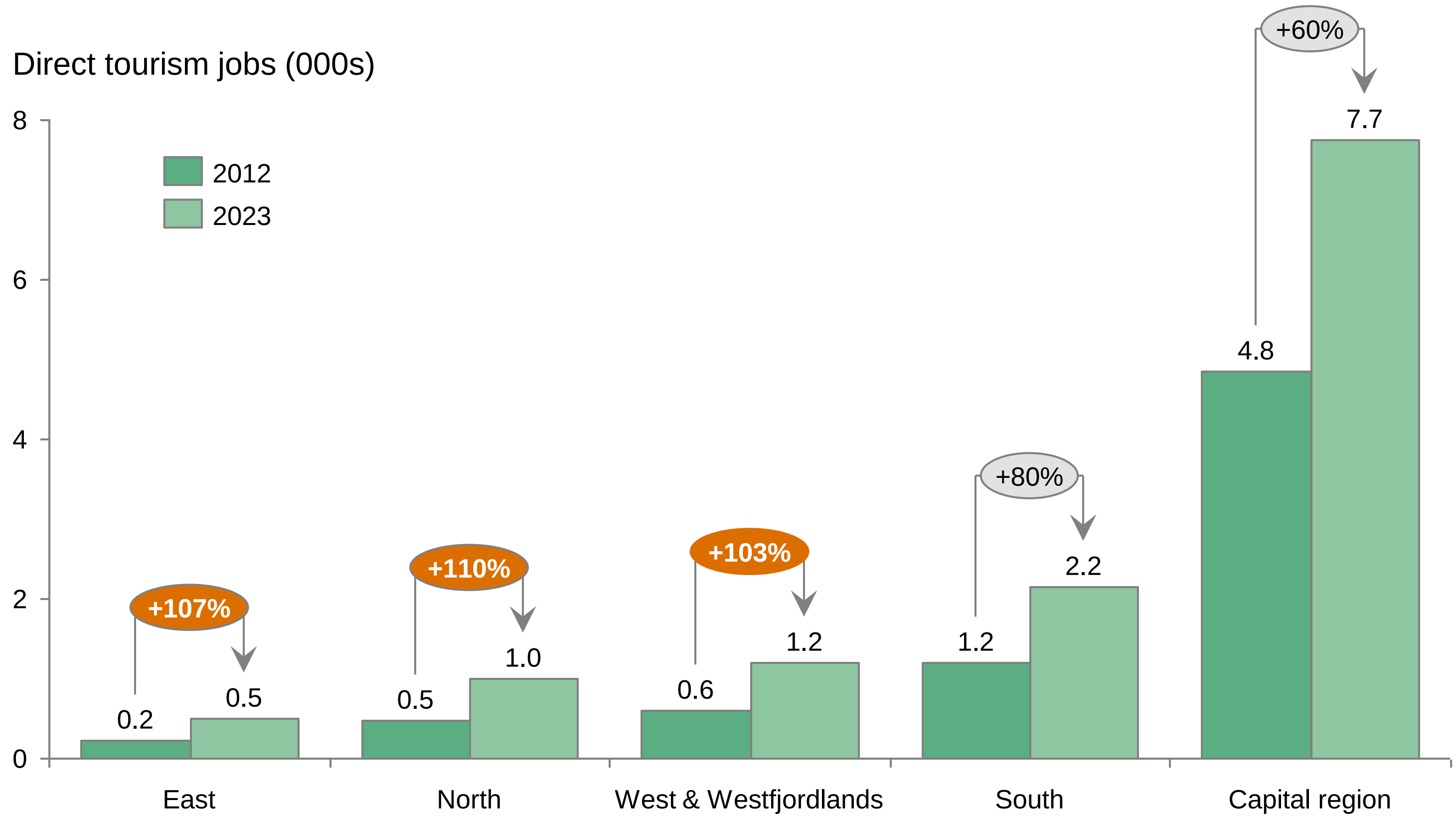
	Direct Tourism GDP, excl. travel to Iceland ($B)		Growth (%)
	2012	2023	
East, North, West & Westfjordlands	0.14	0.37	162%
South, Capital region[2]	0.41	0.90	117%

1. 2012 prices and exchange rate; 2. includes Reykjavik and Reykjanes
Note: ratio based on expected visitor numbers to each region under each scenario; excludes domestic nights
Source: Icelandic tourism board, Isavia, EIU, Euromonitor, UNWTO; Statistics Iceland; Oanda; HVS; Icelandic Road Administration; BCG analysis

3a

All regions predicted to benefit from increased tourism employment, with highest growth in the North & East

Employment in direct tourism industries with focus on target segments



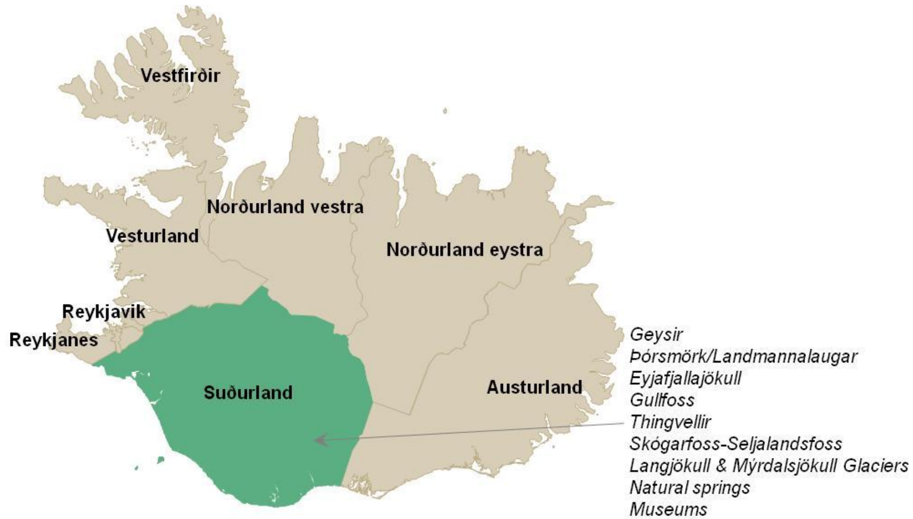
~1.4k of 5.2k new direct jobs created in East, North, and West

1. Includes Reykjavik and Reykjanes
Note: based upon % of foreign visitors to each region reported today in Icelandic tourism board surveys and assumed increased regional spread with initiatives in place by 2023.Impact of revenue from travel to Iceland assumed to impact capital region
Source: Icelandic tourism board, Isavia, EIU, Euromonitor, UNWTO; Statistics Iceland; Oanda; HVS; Icelandic Road Administration; BCG analysis

Over the next 10 years, focused growth of tourism could deliver a number of benefits for Iceland's economy

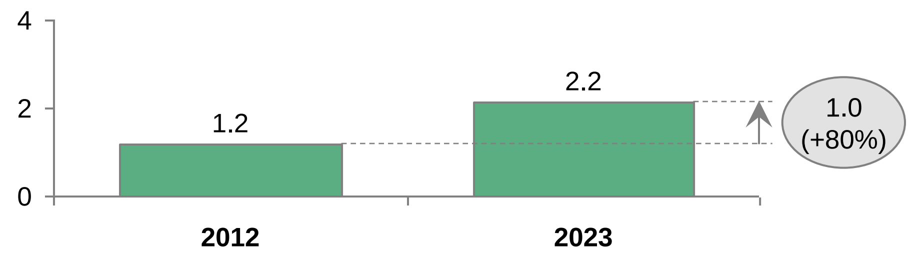
+4.2M	**Additional foreign visitor overnight stays annually**
150%	**Increase in visitor nights in regions outside the south**
215B ISK	**Annual direct tourism GDP contribution in 2023** (+105B ISK increase from 2013)
7%	**Growth in tourism's direct GDP contribution p.a. since 2013** • Double the rate reported for other sectors
+4.5k	**Additional tourism jobs created over 10 years** ~ double the number of tourism jobs outside the south today
+16 B ISK	**Incremental direct tax contribution from tourism since 2013** Equivalent to ~120K ISK per Icelandic household per year

South Iceland: Estimated regional impact of tourism strategy over next 10 years



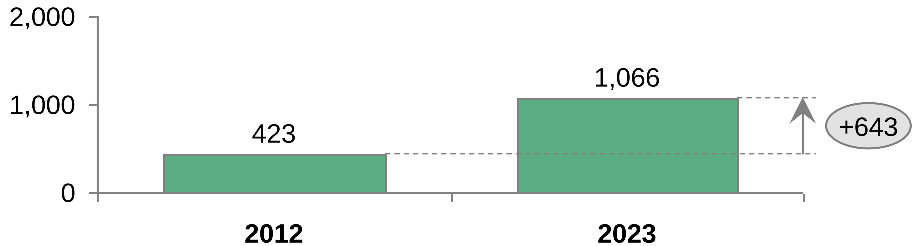
80% increase in tourism employment

tourism employees (000s)



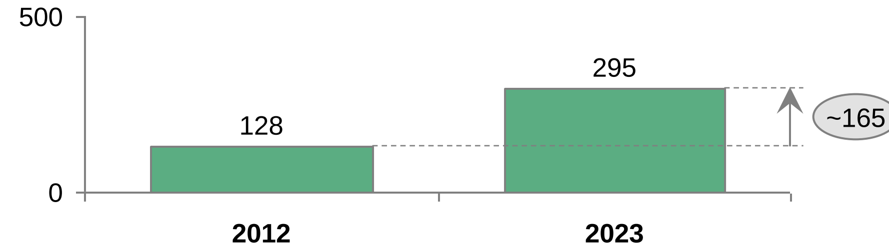
640K additional visitors

visitors (000s)



Increase of $165M in direct tourism GDP

Direct tourism GDP ($M)

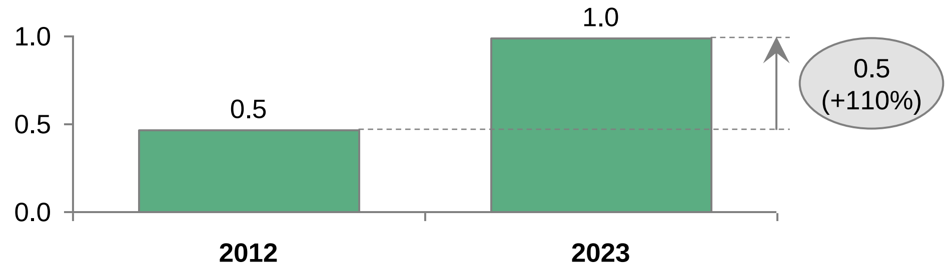


Note: 2012 figures for employment and GDP estimated based on behaviour of four groups (Adventurers, Seniors, Emerging Market Explorers and non-Adventurers) reported in the Iceland Tourism Board Summer & Winter surveys 2011-2012 . 2023 figures based on the assumption that targeting development at the first 3 groups will increase the propensity for them to visit the region by 20%, whilst the conservative assumption was made that non-adventurers are not impacted .
Source: Icelandic tourism board, Isavia, EIU, Euromonitor, UNWTO; Statistics Iceland; Oanda; HVS; Icelandic Road Administration; BCG analysis

North Iceland: Estimated regional impact of tourism strategy over next 10 years

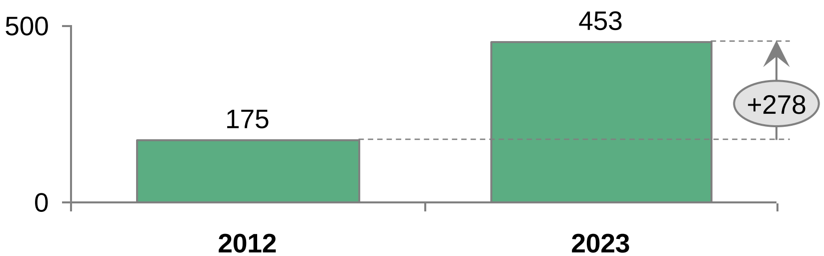
110% increase in tourism employment

tourism employees (000s)



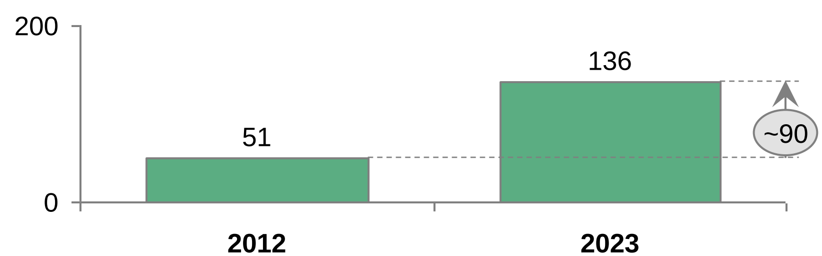
280K additional visitors

visitors (000s)



Increase of $90M in direct tourism GDP

Direct tourism GDP ($M)



Note: 2012 figures for employment and GDP estimated based on behaviour of four groups (Adventurers, Seniors, Emerging Market Explorers and non-Adventurers) reported in the Iceland Tourism Board Summer & Winter surveys 2011-2012 . 2023 figures based on the assumption that targeting development at the first 3 groups will increase the propensity for them to visit the region by 20%, whilst the conservative assumption was made that non-adventurers are not impacted .
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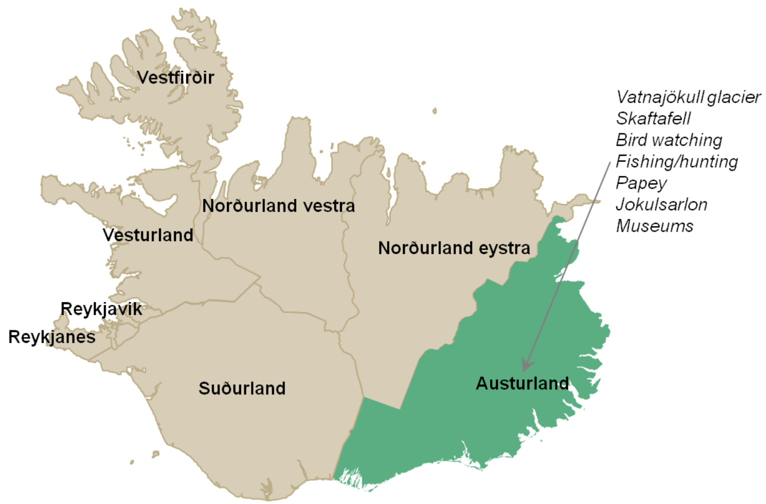
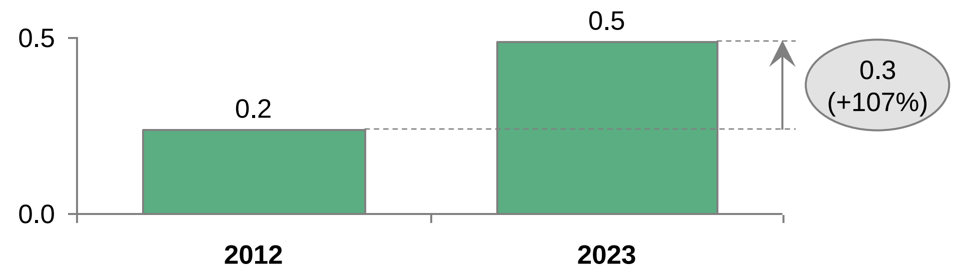
East Iceland: Estimated regional impact of tourism strategy over next 10 years



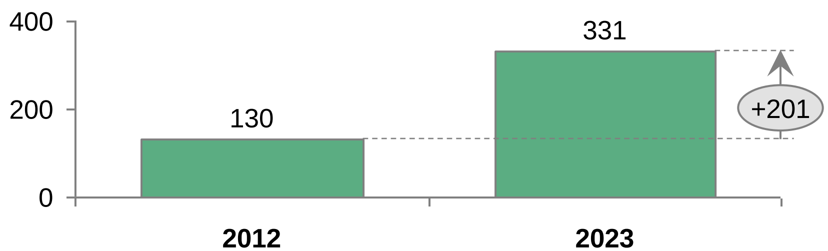
107% increase in tourism employment

\# tourism employees (000s)



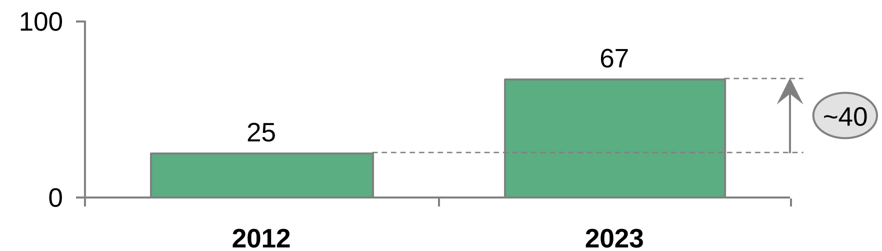
200K additional visitors

\# visitors (000s)



Increase of $40M in direct tourism GDP

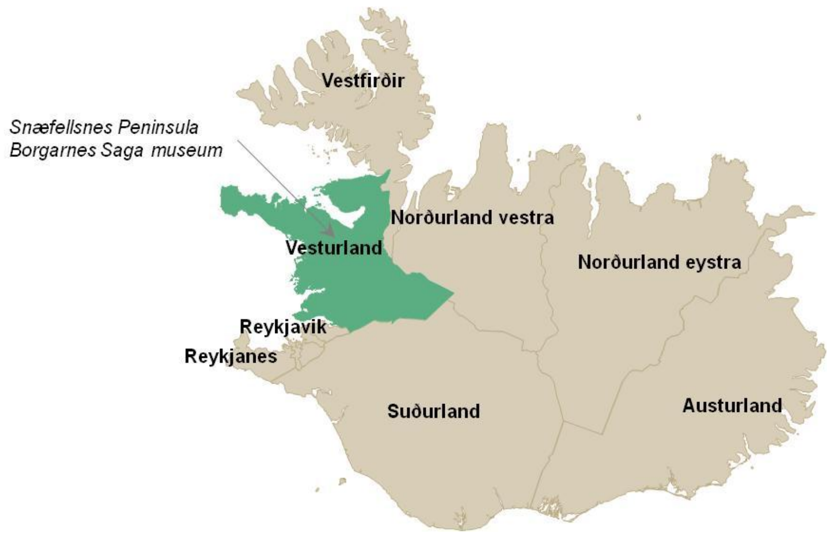
Direct tourism GDP ($M)



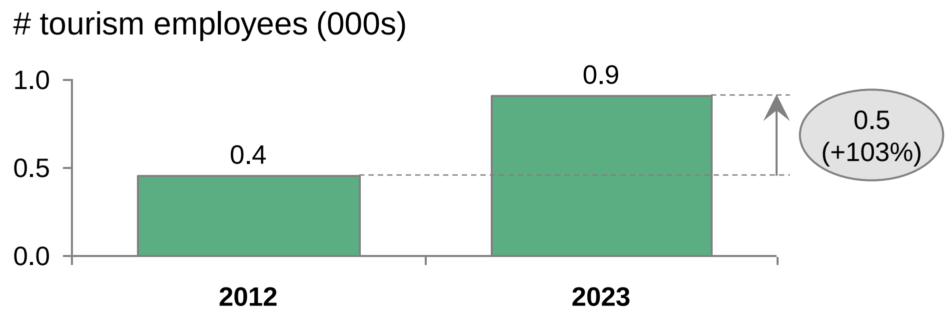
Note: 2012 figures for employment and GDP estimated based on behaviour of four groups (Adventurers, Seniors, Emerging Market Explorers and non-Adventurers) reported in the Iceland Tourism Board Summer & Winter surveys 2011-2012 . 2023 figures based on the assumption that targeting development at the first 3 groups will increase the propensity for them to visit the region by 20%, whilst the conservative assumption was made that non-adventurers are not impacted .

Source: Icelandic tourism board, Isavia, EIU, Euromonitor, UNWTO; Statistics Iceland; Oanda; HVS; Icelandic Road Administration; BCG analysis

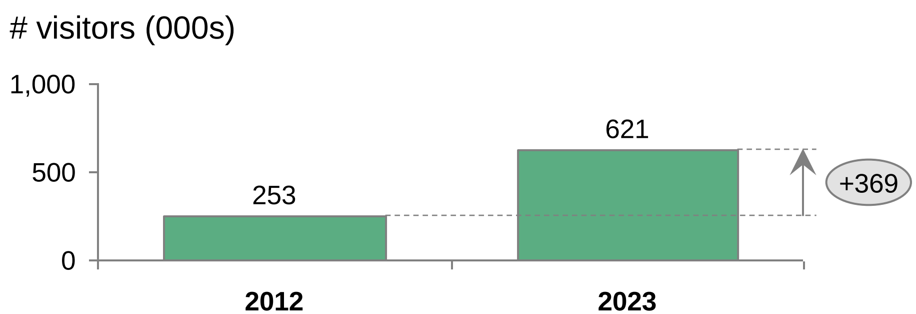
West Iceland: Estimated regional impact of tourism strategy over next 10 years



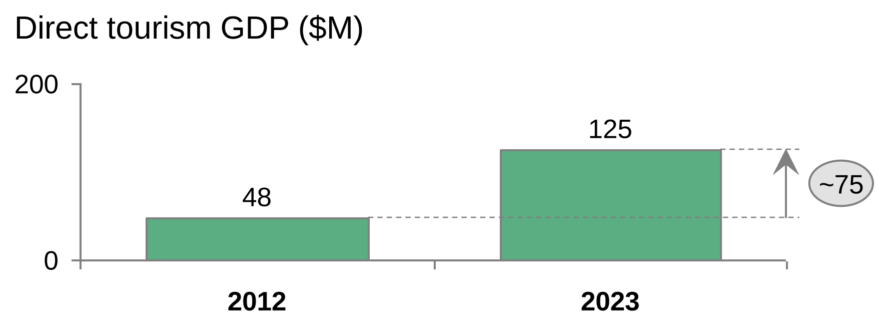
103% increase in tourism employment



360K additional visitors



Increase of $75M in direct tourism GDP

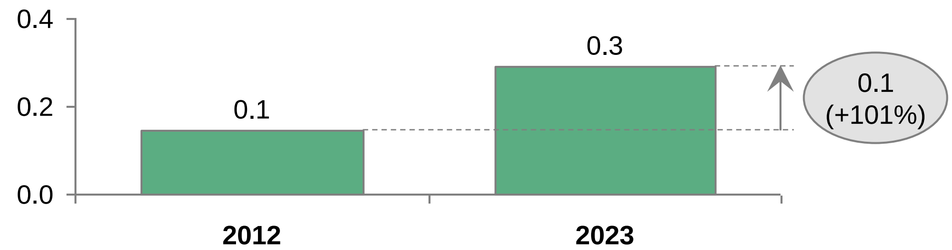


Note: 2012 figures for employment and GDP estimated based on behaviour of four groups (Adventurers, Seniors, Emerging Market Explorers and non-Adventurers) reported in the Iceland Tourism Board Summer & Winter surveys 2011-2012 . 2023 figures based on the assumption that targeting development at the first 3 groups will increase the propensity for them to visit the region by 20%, whilst the conservative assumption was made that non-adventurers are not impacted .
Source: Icelandic tourism board, Isavia, EIU, Euromonitor, UNWTO; Statistics Iceland; Oanda; HVS; Icelandic Road Administration; BCG analysis

Westfjordlands: Estimated regional impact of tourism strategy over next 10 years

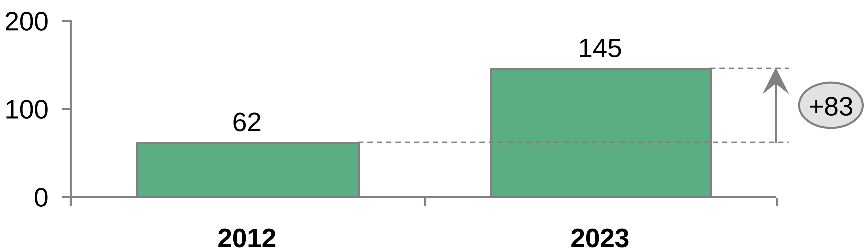
101% increase in tourism employment

tourism employees (000s)



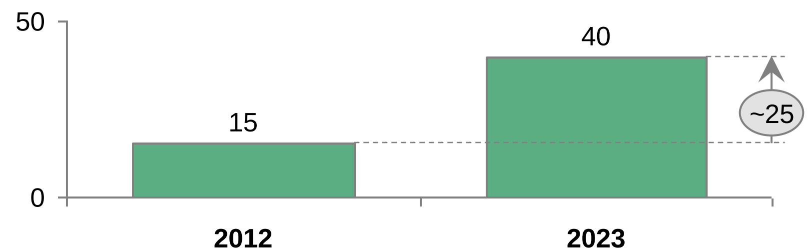
80K additional visitors

visitors (000s)



Increase of $25M in direct tourism GDP

Direct tourism GDP ($M)



Note: 2012 figures for employment and GDP estimated based on behaviour of four groups (Adventurers, Seniors, Emerging Market Explorers and non-Adventurers) reported in the Iceland Tourism Board Summer & Winter surveys 2011-2012 . 2023 figures based on the assumption that targeting development at the first 3 groups will increase the propensity for them to visit the region by 20%, whilst the conservative assumption was made that non-adventurers are not impacted .
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