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NAVIGATING GROWTH AND SUSTAINABILITY: ANALYSING THE ECONOMIC IMPACT OF TOURISM IN ICELAND

Abstract:

This paper explores the economic role of tourism in Iceland, focusing on its contributions to GDP, job creation, and foreign exchange earnings. Using descriptive and comparative analysis of secondary data—relying on official statistics and a comprehensive body of literature—the study assesses the industry’s growth, resilience, and sustainability in both national and global contexts. The findings show that tourism has become a key part of Iceland’s economy, surpassing traditional export sectors in value and providing significant employment. However, the COVID-19 pandemic revealed the industry’s volatility and strong dependence on international markets, exposing structural weaknesses that threaten its long-term sustainability. Alongside economic aspects, the research also addresses critical issues such as over-tourism, seasonality, and environmental pressures, especially in fragile ecosystems. Recent academic research and shifting policy frameworks highlight the importance of sustainability measures, fair taxation, and participatory governance as guiding principles for the sector’s future. Overall, the study emphasizes that balancing economic growth with environmental limits and community well-being is essential to developing a more resilient and forward-looking tourism model. These insights serve as valuable guidance for policymakers, practitioners, and scholars working towards sustainable and diverse tourism.

Keywords:

Tourism; Iceland; Economic impact; Sustainability; Over-tourism; Resilience; Policy