**Economy of the Republic of Ireland**

The economy of Ireland has transformed in recent years from an agricultural focus to a modern knowledge economy, focusing on services and high-tech industries and dependent on trade, industry and investment. Economic growth in Ireland averaged a (relatively high) 10% from 1995–2000, and 7% from 2001–2004. Industry, which accounts for 46% of GDP, about 80% of exports, and 29% of the labour force, now takes the place of agriculture as the country's leading sector.

Exports play a fundamental role in Ireland's growth, but the economy also benefits from the accompanying rise in consumer spending, construction, and business investment. On paper, the country is the largest exporter of software-related goods and services in the world.[unreliable source?] In fact, a lot of foreign software, and sometimes music, is filtered through the country to avail of Ireland's non-taxing of royalties from copyrighted goods.[citation needed]

A key part of economic policy, since 1987, has been Social Partnership which is a neo-corporatist set of voluntary 'pay pacts' between the Government, employers and trades unions. These usually set agreed pay rises for three-year periods.

Ireland joined in launching the Euro currency system in January 1999 (leaving behind the Irish pound) along with eleven other EU nations. The 1995 to 2000 period of high economic growth led many to call the country the Celtic Tiger. The economy felt the impact of the global economic slowdown in 2001, particularly in the high-tech export sector — the growth rate in that area was cut by nearly half. GDP growth continued to be relatively robust, with a rate of about 6% in 2001 and 2002. Growth for 2004 was over 4%, and for 2005 was 4.7%.

With high growth came high levels of inflation, particularly in the capital city. Prices in Dublin, where nearly 30% of Ireland's population lives, are considerably higher than elsewhere in the country,[22] especially in the property market.

Measuring Ireland's level of income per capita is a complicated issue. Ireland possesses the second highest GDP (PPP) per capita in the world (US$43,600 as of 2006), behind Luxembourg, and the fifth highest Human Development Index, which is calculated partially on the basis of GDP per capita. However, many economists feel that GDP per capita is an inappropriate measure of national income for Ireland, as it neglects the fact that much income generated in Ireland belongs to multinational companies and eventually goes offshore.[23] Another measure, Gross National Income per head, takes account of this and therefore many economists feel it is a superior measure of income in the country. In 2005, the World Bank measured Ireland's GNI per head at $41,140 - the seventh highest in the world, sixth highest in Western Europe, and the third highest of any EU member state. Also, a study by The Economist found Ireland to have the best quality of life in the world.[24] This study employed GDP per capita as a measure of income rather than GNI per capita.

The positive reports and economic statistics mask several underlying imbalances. The construction sector, which is inherently cyclical in nature, now accounts for a significant component of Ireland's GDP. A recent downturn in residential property market sentiment has highlighted the over-exposure of the Irish economy to construction, which now presents a threat to economic growth.[25][26][27] Several successive years of economic growth have led to an increase in inequality [28] in Irish society (see Economy of Ireland - Recent developments) and a decrease in poverty.[29] Irelands's Gini co-efficient is 30.4, slightly below the OECD average of 30.7.[30] Figures show that 6.8% of Ireland's population suffer "consistent poverty".[31]

However, after a construction boom in the last decade, economic growth is now slowing. There has been a significant fall in house prices and the cost of living is rising. It is said the Irish economy is rebalancing itself. The ESRI predicts that the Irish economy wil not grow this year at all and may retract by -0.5% in 2008, down hugely from 4.7% growth in 2007, but expects economic growth to near 2% again in 2009 and near 4% in 2010.[32] The huge reduction in construction has caused Irelands massive economic downturn, if construction was not included in the economic outlook Ireland would still grow by about 2.5% however this is the first time in over 2 decades that the ESRI has applied the term recession to the Irish economy. Ireland now has the second-highest level of household debt in the world, at 190% of household income.[33]