

market conditions, and other policy efforts to raise household disposable income. For India, growth is expected to moderate but remain above trend, with GDP growth projected at 8.2 percent in 2011 and 7.8 percent in 2012. Infrastructure will remain a key contributor to growth, and corporate investment is expected to accelerate as capacity constraints start to bind and funding conditions remain supportive. The ASEAN-5 economies⁴ are projected to expand by 5.4 percent in 2011 and 5.7 percent in 2012. The ASEAN-5 will be led by Vietnam, where strong consumption and a recovery in investment will raise growth to 6.3 percent this year and 6.8 percent in 2012.

Emerging Europe

For the region as a whole, emerging Europe posted solid growth of 4.2 percent in 2010. However, performance within the region was mixed, with Turkey leading the growth at 8.2 percent, while Croatia, Romania and Latvia all contracted last year.

The outlook is for a continued, gradual and uneven expansion. Emerging Europe's growth is expected to be 3.7 percent in 2011 and 4.0 percent in 2012. Economic prospects across the region seem to be converging toward the regional average. For leading Turkey, growth is expected to moderate to 4.6 percent this year and 4.5 percent next year. In Poland, growth is expected to remain solid at about 3.8 percent this year and 3.6 percent next year as corporate profitability rises, the absorption of EU funds continues, and bank lending resumes. After contracting in 2010, Croatia is projected to record moderate growth of 1.3 percent this year, rising to 1.8 percent next year while Romania is expected to rebound to 1.5 percent this year and to 4.4 percent in 2012. Most of the other emerging European economies are expected to grow in the 2.8 to

3.3 percent range for 2011, with the exception of Lithuania, which is projected to grow by 4.6 percent.

Latin America and the Caribbean (LAC)

Strong demand from the emerging Asian economies has boosted world commodity prices, to the benefit of Latin America and the Caribbean. More recently, with the rebound in global economic activity, exports to other destinations have also bounced back. This has encouraged strong capital inflows and moderate current account deficits. Despite the support to current accounts from commodity prices, however, deficits are widening and are projected to continue widening on the back of robust domestic demand. Additionally, the generally buoyant conditions are associated with rising inflation in South and Central America. On the other hand, Mexico is not facing overheating pressure at this time.

Against this background, real output expanded by 6.1 percent last year, and is projected to average 4.7 percent in 2011 and 4.2 percent in 2012. As with any large region, however, experiences vary.

For South American economies, the outlook is generally positive, albeit less robust than in 2010. Because of Brazil's systemic importance to the region, many neighbouring countries are currently benefiting from its strong growth. However, projections are for output growth in Brazil to slip to 4.5 percent this year from 7.5 percent last year. With that decline, growth in South America is expected to moderate from 6.5 percent in 2010 to 4.8 percent in 2011. Paraguay, the leading growth performer of all main LAC economies, at 15.3 percent in 2010, will see its expected growth drop to a more sustainable 5.6 percent this year. Similarly, growth prospects for Argentina will fall to a more

4 The Association of Southeast Asian Nations (ASEAN) comprises Indonesia, Malaysia, Philippines, Thailand and Vietnam.