WESTERN ASSET EMERGING MARKETS INCOME FUND INC.
Form N-CSR
July 25, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-7686

Western Asset Emerging Markets Income Fund Inc.
(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th floor, New York, NY	10018
(Address of principal executive offices)	(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

Registrant s telephone number, including area code: (888) 777-0102

Date of fiscal year end: May 31

Date of reporting period: May 31, 2012

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual Report** to Stockholders is filed herewith.

May 31, 2012

Annual Report

Western Asset Emerging Markets Income Fund Inc.
(EMD)

INVESTMENT PRODUCTS: NOT FDIC INSURED   NO BANK GUARANTEE   MAY LOSE VALUE

Fund objectives

The Fund s primary investment objective is to seek high current income. As a secondary objective, the Fund seeks capital appreciation.

What s inside

Letter from the chairman

Dear Shareholder,

We are pleased to provide the annual report of Western Asset Emerging Markets Income Fund Inc. for the twelve-month reporting period ended May 31, 2012. Please read on for a detailed look at prevailing economic and market conditions during the Fund s reporting period and to learn how those conditions have affected Fund performance.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,
- Market insights and commentaries from our portfolio managers, and
- A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

June 29, 2012

Investment commentary

Economic review

The U.S. economy continued to grow over the twelve months ended May 31, 2012, albeit at an uneven pace. U.S. gross domestic product (GDP)i growth, as reported by the U.S. Department of Commerce, was 1.3% and 1.8% in the second and third quarters of 2011, respectively. The economy then gathered further momentum late in 2011, as the Commerce Department reported that fourth quarter GDP growth was 3.0% the fastest pace since the second quarter of 2010. However, economic growth in the U.S. then moderated somewhat, as the Commerce Department reported that first quarter 2012 GDP growth was 1.9%.

Two factors constraining economic growth were the weak job market and continued troubles in the housing market. While there was some improvement during the reporting period, unemployment remained elevated. When the reporting period began, unemployment, as reported by the U.S. Department of Labor, was 9.0%. Unemployment stayed at or above 9.0% until October, when it dipped to 8.9%. Unemployment then declined during five out of the next six months and was 8.1% in April 2012, the lowest rate since January 2009. However, the unemployment rate then moved up to 8.2% in May 2012. The housing market showed some positive signs, although it still appears to be searching for a bottom. According to the National Association of Realtors (NAR), existing-home sales fluctuated throughout the period. Existing-home sales fell 1.5% on a seasonally adjusted basis in May 2012 versus the previous month. However, the NAR reported that the median existing-home price for all housing types was $182,600 in May 2012, up 7.9% from May 2011. In addition, the inventory of unsold homes fell 0.4% in May versus the previous month.

The manufacturing sector overcame a soft patch in the summer of 2011 and continued to expand during the reporting period. Looking back, based on the Institute for Supply Management s PMI (PMI)ii, in February 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 61.4 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). The PMI then generally moderated over the next several months and was 50.6 in August 2011, its lowest reading in two years. The manufacturing sector gathered momentum and ended January 2012 at 54.1, its highest reading since June 2011. The PMI then fluctuated over the last four months of the reporting period and was 53.5 in May 2012.

While the U.S. economy continued to expand during the reporting period, growth generally moderated overseas. In April 2012, the International Monetary Fund (IMF) stated that global growth is projected to drop from about 4.0% in 2011 to about 3.5% in 2012 because of weak activity during the second half of 2011 and the first half of 2012. The IMF now anticipates 2012 growth will be -0.3% in the Eurozone and 2.0% in Japan. While growth in emerging market countries is expected to remain higher than in their developed country counterparts, the IMF projects that growth will fall from approximately 5.8% in 2011 to 5.7% in 2012.

The Federal Reserve Board (Fed)iii took a number of actions as it sought to meet its dual mandate of fostering

Investment commentary (cont d)

maximum employment and price stability. As has been the case since December 2008, the Fed kept the federal funds rateiv at a historically low range between zero and 0.25%. In August 2011, the Fed declared its intention to keep the federal funds rate steady until mid-2013. Then, in September 2011, the Fed announced its intention to purchase $400 billion of longer-term Treasury securities and to sell an equal amount of shorter-term Treasury securities by June 2012 (often referred to as Operation Twist). In January 2012, the Fed extended the period it expects to keep rates on hold, saying economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014. In June, after the reporting period ended, the Fed announced that it would extend Operation Twist until the end of 2012 and that it was prepared to take further action as appropriate to promote a stronger economic recovery and sustained improvement in labor market conditions in a context of price stability.

Given the economic challenges in the Eurozone, the European Central Bank (ECB) lowered interest rates from 1.50% to 1.25% in November 2011. In December, the ECB lowered interest rates to 1.00%, equaling its all-time low. In other developed countries, the Bank of England kept rates on hold at 0.50% during the reporting period, as did Japan at a range of zero to 0.10%, the lowest level since 2006. With growth rates declining, both China and India lowered their cash reserve ratio for banks during the period. In June, after the reporting period ended, China lowered interest rates in an attempt to stimulate its economy.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and
Chief Executive Officer

June 29, 2012

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. Forecasts and predictions are inherently limited and should not be relied upon as an indication of actual or future performance.

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Institute for Supply Management s PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

iii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

Fund overview

Q. What is the Fund s investment strategy?

A. As a primary investment objective, the Fund seeks high current income. As a secondary objective, the Fund seeks capital appreciation. Under normal conditions, the Fund invests a minimum of 80% of its net assets, plus any borrowings for investment purposes, in debt securities of government and government-related issuers located in emerging market countries, of entities organized to restructure outstanding debt of such issuers and in debt of corporate issuers located in emerging market countries. We believe attractive risk-adjusted returns can be achieved in the emerging market debt asset class through diligent country selection based on fundamental analysis, rigorous quantitative fixed-income analysis focusing on market inefficiencies among sectors and securities in each country and a focus on managing risk through active management.

The portfolio, which invests in government and corporate issuers of emerging market countries, is actively managed. A risk-aware approach that assimilates the top-down global economic views of Western Asset Management Company (Western Asset), the Fund s subadviser, with analysts fundamental and relative value views regarding emerging market country opportunities is employed. In allocating among different countries, the following are some of the factors that are considered: currency regime, inflation and interest rate trends, growth rate forecasts, liquidity of markets for that country s debt, fiscal policies, political outlook and tax environment. Individual securities that appear to be most undervalued and that offer attractive potential returns relative to the amount of credit, interest rate, liquidity and other risks presented by these securities are then selected. Independent fundamental analysis is used to evaluate the creditworthiness of corporate and governmental issuers.

At Western Asset, we utilize a fixed-income team approach, with decisions derived from interaction among various investment management sector specialists. The sector teams are comprised of Western Asset s senior portfolio managers, research analysts and an in-house economist. Under this team approach, management of client fixed-income portfolios will reflect a consensus of interdisciplinary views within the Western Asset organization. The portfolio managers responsible for development of investment strategy, day-to-day portfolio management, oversight and coordination of the Fund are Stephen A. Walsh, Matthew C. Duda, Michael C. Buchanan and Keith J. Gardner.

Q. What were the overall market conditions during the Fund s reporting period?

A. The spread sectors (non-Treasuries) experienced periods of volatility during the reporting period, but ultimately generated positive results. Risk aversion generally ruled the markets from June through September 2011, given mostly disappointing economic data, the European sovereign debt crisis and the Standard & Poor s (S&P) rating downgrade of U.S. sovereign debt. Most spread sectors then rallied in October given hopes of progress in Europe and some better-than-expected economic data. While risk aversion returned in November given an escalation of the European sovereign debt crisis, risk appetite returned in December and generally remained

Fund overview (cont d)

robust during the next three months. This shift in investor sentiment was triggered by indications that the U.S. economy was gathering momentum and signs of progress in the European sovereign debt crisis. However, fears that the economy may be experiencing a soft patch and contagion fears from Europe led to periods of heightened risk aversion late in the period.

Both short- and long-term Treasury yields moved lower during the reporting period. When the period began, two- and ten-year Treasury yields were 0.45% and 3.05%, respectively. Treasury yields initially moved higher and two- and ten-year Treasury yields peaked at 0.50% and 3.22%, respectively, on July 1, 2011. Yields then declined during much of the next two months due to disappointing economic data, and two-year Treasuries hit their low for the reporting period of 0.16% on September 19, 2011. Yields then moved higher during much of the next six months as the economy gained some traction and rising oil prices fanned inflationary concerns. However, yields moved sharply lower in April and May given some moderating economic data in the U.S. and renewed fears regarding the situation in Europe. When the reporting period ended on May 31, 2012, two-year Treasury yields were 0.27% and ten-year Treasury yields were 1.59% a record low. The Barclays Capital U.S. Aggregate Index[i] returned 7.12% for the twelve months ended May 31, 2012.

Despite several setbacks, the emerging market debt asset class posted strong results during the twelve months ended May 31, 2012, with the JPMorgan Emerging Markets Bond Index Global (EMBI Global)[ii] gaining 8.28%. There were a host of macro issues for investors to contend with during the reporting period, including the ongoing European sovereign debt crisis, Standard & Poor s rating downgrade of U.S. sovereign debt, slowing global growth and fears of a hard landing for China s economy. Despite these challenges and periods of heightened volatility, the EMBI Global performed well, rising nine of the twelve months covered by this report. Supporting emerging market debt prices were relatively solid economic growth in many emerging market countries and sovereign balance sheets that were often on solid footing, especially when compared to their developed country counterparts. While several periods of extreme risk aversion triggered investor flights to quality, most notably in September 2011 and May 2012, demand for emerging market debt was overall strong as investors looked to generate incremental yield in the low interest rate environment.

While emerging market debt, in aggregate, performed well during the reporting period, there were some notable differences in the returns of the three sub-sectors in the asset class. As discussed, U.S. dollar-denominated government debt, as represented by the EMBI Global, gained 8.28%. Elsewhere, emerging market corporate bonds, as measured by the JPMorgan Corporate Emerging Markets Bond Index Broad[iii], returned 3.83% and local currency bonds, as measured by the JPMorgan GBI-EM Global Diversified Index[iv], lost 6.46% over the twelve months ended May 31, 2012.

Q. How did we respond to these changing market conditions?

A. A number of adjustments were made to the Fund s portfolio during the fiscal year. We reduced our exposures to local currencies and emerging market corporate bonds, while increasing our allocation to cash. We also looked to increase the Fund s overall credit quality by paring its exposure to securities with below investment grade ratings. From a country perspective, we somewhat reduced the Fund s overweight exposure to Argentina and eliminated its allocation to Thailand. Elsewhere, we added to the Fund s overweight exposures to Peru and Mexico. In terms of currencies, we eliminated the Fund s exposures to the Polish zloty, while reducing its allocations to the euro and Russian ruble. In contrast, we increased the Fund s exposure to the Mexican peso.

During the period, the Fund s use of interest rate swaps to gain exposure to Brazil was modestly beneficial for performance. Currency forwards, which were utilized to managed the Fund currency exposures, were additive for results. Finally, we used Treasury futures to manage the Fund s durationv. The use of these derivative instruments also contributed to performance.

Performance review

For the twelve months ended May 31, 2012, Western Asset Emerging Markets Income Fund Inc. returned 4.76% based on its net asset value (NAV)vi and 5.70% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmark, the EMBI Global, returned 8.28% for the same period. The Lipper Emerging Markets Debt Closed-End Funds Category Averagevii returned 0.80% over the same time frame. Please note that Lipper performance returns are based on each fund s NAV.

During the twelve-month period, the Fund made distributions to shareholders totaling $0.94 per share. The performance table shows the Fund s twelve-month total return based on its NAV and market price as of May 31, 2012. **Past performance is no guarantee of future results.**

Performance Snapshot as of May 31, 2012

Price Per Share		12-Month Total Return*
$14.79 (NAV)		4.76%
$13.80 (Market Price)		5.70%

All figures represent past performance and are not a guarantee of future results.

*** Total returns are based on changes in NAV or market price, respectively.**

Total return assumes the reinvestment of all distributions at NAV.

Total return assumes the reinvestment of all distributions in additional shares in accordance with the Fund s Dividend Reinvestment Plan.

Q. What were the leading contributors to performance?

A. The largest contributor to the Fund s relative performance during the reporting period was security selection. In particular, overweight positions in Brazilian metals and mining company Vale Overseas Ltd., Mexican telecommunications firm Grupo Televisa and Colombian energy company Ecopetrol benefited the Fund s results. Vale Overseas is one of the world s largest metals and mining companies, with diversified global operations in nickel, copper, potash and aluminum, in addition to being the largest iron ore producer in the world. Vale Overseas has solid credit metrics as it generates strong cash flows, has good liquidity

Fund overview (cont d)

and low leverage. The company s bonds were upgraded by S&P to A- from BBB+. Grupo Televisa is a leader in Spanish language programming and is one of the largest media companies in Latin America with operations in programming, broadcasting, cable and pay television. The company has strong cash flows and maintains excellent liquidity and low leverage. Ecopetrol is Colombia s largest company and its largest oil and gas producer with diversified operations in upstream and downstream operations. The company has strong growth prospects, as it is in the midst of a large strategic plan that has seen oil and gas production nearly double since 2007 and plans to reach one million barrels per day by 2015. Ecopetrol s bonds were upgraded by Fitch from BB+ to BBB-. In all three cases, these bonds were supported by a market environment in which U.S. Treasuries generally rallied and higher rated companies with strong fundamentals performed relatively better.

Elsewhere, positioning in several countries was rewarded during the period, including underweight positions in European countries such as Hungary and Croatia, and South Africa, as well as an overweight position in Peru.

Q. What were the leading detractors from performance?

A. The largest detractor from relative performance during the reporting period was the Fund s overweight exposure to local currencies, as they generally lagged the U.S. dollar. The largest drags on results were our overweights to the Brazilian real, Mexican peso and Indonesian rupiah.

Having overweight exposures to emerging market corporate bonds and local bonds were also negative for performance. In both cases, they lagged the benchmark during the reporting period.

While the Fund s positioning in a number of countries was beneficial for results, country allocation, overall, detracted from performance. In particular, an overweight to Argentina was not rewarded, as it was the second worst performing country in the benchmark during the reporting period. Having underweight exposures to the Philippines and Uruguay were also negative for results as they both outperformed the benchmark.

Finally, several individual securities were negative for performance. In particular, overweight positions in Mexican telecommunication company Axtel, Argentinean energy firm Pan American Energy (Paname) and Russian metals and mining company Evraz Group detracted from results. Axtel is Mexico s second largest fixed line, integrated telecommunication company, with services in local and long distance telephony, Internet, data and consulting services. Axtel was negatively impacted by the sharp decline in the Mexican peso, which weakened its credit metrics due to its U.S. dollar-denominated debt. It was also impacted by the competitive telecommunication landscape and a volatile market environment which led to a general sell-off in many lower rated bonds. In addition, Axtel s bonds were downgraded by Moody s to Caa2 from B3, by S&P to B- from B, and by Fitch to B+ from BB-. Paname is Argentina s second largest exploration and production company in the country. It has a solid history of investment to expand production and reserves and a strong track record of servicing its debt through various sovereign crises over the past decade. The company is a 60/40 joint venture between BP and Bridas, the latter being an Argentine company that is 50% owned by Chinese exploration and production company CNOOC (China National Offshore Oil Corporation). Paname was negatively impacted by the expropriation of oil company YPF by the Argentine government. In addition, Paname s bonds were downgraded by Moody s to B1 from Ba3 after actions taken by the Argentine government to force oil, gas and mining companies to repatriate 100% of their export proceeds and convert them to Argentine pesos. Evraz Group is a vertically integrated, low cost steel producer based in Russia. It has operations in Russia, North America, the Ukraine and the Czech Republic. It is a top 20 global steel maker that is a leader in Russian and Commonwealth of Independent States (the term used to describe the countries that broke off after the Soviet Union dissolved) construction and railway products and a lead player in European and North American plate and large diameter pipe markets. Evraz Group was negatively impacted by weakness in steel prices and a volatile market environment which led to a general sell-off in many high yield bonds. Despite the difficult year, Evraz group s bonds were upgraded by Moody s to B1 from B2 and by Fitch to BB- from B+.

Looking for additional information?

The Fund is traded under the symbol EMD and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XEMDX on most financial websites. *Barron s* and the *Wall Street Journal s* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as www.lmcef.com.

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund s current NAV, market price and other information.

Thank you for your investment in Western Asset Emerging Markets Income Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund s investment goals.

Sincerely,

Western Asset Management Company

June 19, 2012

RISKS: Fixed-income securities are subject to credit risk, inflation risk, call risk and interest rate risk. As interest rates rise, bond prices fall, reducing the value of the Fund s holdings. Foreign bonds are subject to certain risks of overseas investing including currency fluctuations and changes in political, regulatory and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging or developing markets. High-yield bonds are subject to additional risks such as increased risk of default and greater volatility because *of the lower credit quality of the issues. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Leverage may magnify gains and increase losses in the Fund s portfolio.*

Fund overview (cont d)

Portfolio holdings and breakdowns are as of May 31, 2012 and are subject to change and may not be representative of the portfolio managers current or future investments. Please refer to pages 10 through 16 for a list and percentage breakdown of the Fund s holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. The Fund s top five sector holdings (as a percentage of net assets) as of May 31, 2012 were: Sovereign Bonds (61.1%), Energy (17.3%), Materials (8.9%), Telecommunication Services (4.3%) and Utilities (2.3%). The Fund s portfolio composition is subject to change at any time.

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

i The Barclays Capital U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.

ii The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.

iii The JPMorgan Corporate Emerging Markets Bond Index Broad (CEMBI Broad) tracks total returns for U.S. dollar-denominated debt instruments issued by corporate entities in emerging market countries.

iv The JPMorgan Government Bond Index-Emerging Markets (GBI-EM) Indices are comprehensive Emerging Markets debt benchmarks that track local currency bonds issued by Emerging Market governments. The GBI-EM Global is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base. The GBI-EM Global excludes countries with explicit capital controls, but does not factor in regulatory/tax hurdles in assessing eligibility. Diversified: The maximum weight to a country is capped at 10%.

v Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

vi Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund s market price as determined by supply of and demand for the Fund s shares.

vii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the twelve-month period ended May 31, 2012, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 9 funds in the Fund s Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund s investments as of May 31, 2012 and May 31, 2011 and does not include derivatives, such as futures contracts, forward foreign currency contracts and swap contracts. The Fund is actively managed. As a result, the composition of the Fund s investments is subject to change at any time.

Spread duration (unaudited)

Economic Exposure May 31, 2012

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund s sectors relative to the selected benchmark sectors as of the end of the reporting period.

EM	Emerging Markets
EMD	Western Asset Emerging Markets Income Fund Inc.
EMBI Global	JPMorgan Emerging Markets Bond Index Global
IG Credit	Investment Grade Credit

Effective duration (unaudited)

Interest Rate Exposure May 31, 2012

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund s sectors relative to the selected benchmark sectors as of the end of the reporting period.

EM	Emerging Markets
EMD	Western Asset Emerging Markets Income Fund Inc.
EMBI Global	JPMorgan Emerging Markets Bond Index Global
IG Credit	Investment Grade Credit

Schedule of investments

May 31, 2012

Western Asset Emerging Markets Income Fund Inc.

Security	**Rate**	**Maturity Date**	**Face Amount**	**Value**
Sovereign Bonds 61.1%				
Argentina 2.4%				