

Japan unemployment hits record high

Jobless rate at 5.7% and consumer price fall of 2.2% highlight fears of double dip

- [Justin McCurry](#) in Tokyo
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Japanese job seekers look for work on computer screens. Photograph: Itsuo Inouye/AP

Unemployment in [Japan](#) rose to a record high and consumer prices dropped at an unprecedented pace last month, adding to fears that the country's economic recovery is already stalling under the grip of deflation.

Just two weeks after [Japan emerged from its worst recession in half a century](#) its internal affairs ministry said that the jobless rate rose to 5.7% in July from 5.4% a month earlier. Core consumer prices fell 2.2% as concern mounted that the world's second biggest economy is caught in a deflationary spiral.

The figures will come as a blow to the prime minister, Taro Aso, whose Liberal Democratic Party (LDP) is expected to suffer a [heavy defeat in Sunday's general election](#).

Household spending fell 2% last month in a further sign that the boost provided by one-off cash handouts as part of Aso's record ¥25tn (£163bn) stimulus programme was beginning to wear off.

"Japanese households are becoming increasingly defensive as the environment surrounding wages and employment turns severe," said Kyohei Morita, the chief economist at Barclays Capital in Tokyo.

Unemployment, at its highest level since records began in 1953, surpassed the previous record of 5.5% in April 2003 and was expected to rise as high as 6% next year.

Takeo Kawamura, the senior government spokesman, defended his party's record on handling the economic crisis. "There is no denying the fact that the economy is improving overall," Kawamura said.

Figures out last week showed that the economy grew at an annualised rate of 3.7% in the second quarter of this year – the first expansion for more than a year.

Analysts expect the LDP to be punished for failing to stem job losses as it braces itself for only its second period in opposition for more than 50 years.

The number of people out of work rose by more than 200,000 in July, the ministry said, bringing the jobless total to 3.59 million – more than a million up on last year.

"The rise to a record high in the jobless rate was expected but the worsening job and income situation highlights worries about the Japanese

economy heading into a double dip as the government stimulus runs out," Yuichi Kodama, an analyst at Meiji Yasuda Life Insurance, told Reuters.

"The economy's recovery may slow down in July-September compared with April-June."

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