Economy rebounds in Oct. with 261K jobs

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The U.S. economy added 261,000 jobs in October, rebounding from the previous month's hurricane-related losses as idled employees returned to work, but the gain was not as robust as expected.

The unemployment rate, which is calculated from a different survey, fell from 4.2% to 4.1%, a new 17-year low, the Labor Department said Friday. A large decline in employment was more than offset by an even bigger drop in the labor force – the number of Americans working and looking for jobs.

Economists expected 312,000 payroll gains, according to a Bloomberg survey. The disappointing report was at least partly offset by a 90,000 upward revision to employment increases in August and September. August's was revised to 208,000 from 169,000 and September's 33,000 loss was revised to an 18,000 gain despite lower payrolls in hurricane-affected areas in Texas and Florida.

Another positive: A broader measure of unemployment that includes discouraged Americans who have stopped looking for work and part-time employees who prefer full-time jobs fell to 7.9% from 8.3%.

But average hourly wages dipped one cent to $26.53, pushing down annual gains to 2.4% from 2.9%. A sharp rise in September to 2.9% from 2.5% likely was due to the hurricanes, which kept many lower paid part-time and temporary workers at home, boosting average earnings.

Despite the lack of stronger wage and price pressures, the Fed likely will still raise interest rates in December for a third time in 2017 on the expectation that the tight labor market will eventually spur faster inflation, says economist Jim O'Sullivan of High Frequency Economics.

Damaging hurricanes have made it hard to assess the health of the U.S. job market. ERICH SCHLEGEL/GETTY IMAGES

Last month, businesses added 252,000 jobs. Federal, state and local governments added 9,000.

The impacts of Hurricane Harvey in Texas and Hurricane Irma in Florida – which hit in late August and early September, respectively – are making it challenging to assess the underlying health of the labor market.

Goldman Sachs estimates the storms reduced employment in September by 180,000, based on Texas and Florida payroll data.

In October, leisure and hospitality – which includes restaurants and bars – added 106,000 jobs, offsetting a storm-related drop of 102,000 in September. But that translates to no net gains from hiring for the two months, suggesting many workers in the hurricane zones were not yet back at their jobs. And construction added just 11,000 jobs despite rebuilding in those areas.