The government's retail sales report is seasonally adjusted. That way, the current month can be compared with the previous month. But the figures aren't adjusted for inflation.

WASHINGTON (AP) -- Retail sales barely rose in December, but the gain was enough to lift sales to a record level for 2011. It marked the largest annual increase in more than a decade.

Sales inched up 0.1 percent in December to a seasonally adjusted $400.6 billion, The Commerce Department said Thursday. It was the second straight month that sales have topped $400 billion. Never before had monthly sales reached that level.

The government revised the November sales to show a stronger 0.4 percent gain - twice the original estimate. That pushed sales in November above $400 billion on a seasonally adjusted basis.

Separately, weekly applications for unemployment benefits spiked to a seasonally adjusted 399,000, the Labor Department said. But the gain was largely because companies let go of thousands of workers after the holiday season.

Economists said such a jump is typical in early January and downplayed the increase. It followed three months of steady declines that had brought applications to their lowest level in more than three years.

For all of 2011, retail sales totaled a record $4.7 trillion, a gain of nearly 8 percent over 2010. It was the largest percentage increase since 1999

Steady sales gains have fueled a 20 percent surge from the low during the recession. Monthly sales are even 6 percent above their pre-recession high.

The figures confirm evidence that the economy was strengthening as 2011 ended.

One caveat: Many retailers said they had to offer steep discounts in December to attract holiday shoppers.

Those discounts showed up in weaker department store sales. They fell 0.2 percent in December. A broader category that includes department stores like Macy's and big chains such as Wal-Mart and Target showed an even larger decline last month: 0.8 percent.

"Although consumer spending is not particularly robust, households do continue to spend and provide moderate support for the overall economy," said Steven Wood, chief economist at Insight Economics.

The strength last month was led by a 1.5 percent jump in auto sales. Furniture store sales rose 1 percent. Hardware stores reported a 1.6 percent increase. But sales at electronics and appliance stores sank nearly 4 percent.

Sales at gasoline stations fell 1.6 percent. That decline reflected mainly lower gas prices. Excluding gas stations, retail sales would have risen 0.3 percent in December.

Restaurants and bars did better over the holidays. Their sales rose 0.7 percent.

The government's retail sales report is its first look each month at consumer spending, which accounts for roughly 70 percent of economic activity. A healthy report typically signals a stronger economy.

Compared with the same time last year, retail sales have risen 6.4 percent.

This week, the Federal Reserve issued a report saying the final six weeks of 2011 were among the economy's best last year. The report pointed to higher holiday and auto sales, along with increased travel.

The job market has brightened, too. Employers added 200,000 jobs in December. And the unemployment rate fell to 8.5 percent, the lowest in nearly three years.

Many analysts predict that economic growth rose to an annual rate of roughly 3 percent in the final three months of 2011. That would be an improvement from the summer, when the annual rate was just 1.8 percent. And it's much better than the 0.9 percent growth rate in the first six months of 2011.

For the holiday season, many retailers drew customers by staying open on Thanksgiving Day or offering sharp discounts. Discounting helped generate record sales at the start of the shopping season and in the days before Christmas.

A survey of 25 merchants by the International Council of Shopping Centers found that revenue

in December at stores open at least a year rose 3.5 percent over the same month a year ago. For November and December combined, the year-over-year gain was 3.3 percent.

That was a respectable increase. But it was less than the 3.8 percent year-over-year gain from 2009 to 2010.

The government's monthly report is a broader gauge of retail sales. It covers purchases at all retailers, not just at major national chains. It also includes auto dealerships, restaurants and bars, grocery stores and gasoline stations.

U.S. automakers have said that November and December were their two best sales months in 2011. Their U.S. sales rose 10 percent to 12.8 million in 2011, a 23 percent jump from the recession year of 2009.

Chrysler Group reported sales surged 26 percent for all of 2011. General Motors Co. saw sales rise 13 percent for the year. Ford Motor Co. reported an 11 percent gain for 2011.

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A separate government report each month measures consumer spending. It's an even more inclusive gauge. It covers all spending at retailers - for both durable goods like cars that are expected to last for years and nondurable goods such as food.

This report also covers spending on services. Services include items such as doctor's visits, airline tickets, apartment rentals and utility bills. The service category makes up two-thirds of consumer spending and isn't covered in the retail surveys.