The amount of debt globally has soared more than 40 percent to $100 trillion since the first signs of the financial crisis as governments borrowed to pull their economies out of recession and companies took advantage of record low interest rates.

The $30 trillion increase from $70 trillion between mid-2007 and mid-2013 compares with a $3.86 trillion decline in the value of equities to $53.8 trillion, according to the Bank for International Settlements and data compiled by Bloomberg. The jump in debt as measured by the Basel, Switzerland-based BIS in its quarterly review is almost twice the U.S. economy.

Borrowing has soared as central banks suppress benchmark interest rates to spur growth after the U.S. subprime mortgage market collapsed and Lehman Brothers Holdings Inc.’s bankruptcy sent the world into its worst financial crisis since the Great Depression. Yields on all types of bonds, from governments to corporates and mortgages, average about 2 percent, down from more than 4.8 percent in 2007, according to the Bank of America Merrill Lynch Global Broad Market Index.

“Given the significant expansion in government spending in recent years, governments (including central, state and local governments) have been the largest debt issuers,” said Branimir Gruic, an analyst, and Andreas Schrimpf, an economist at the BIS. The organization is owned by central banks and hosts the Basel Committee on Banking Supervision, which sets global capital standards.

In the six-year period to mid-2007 global debt outstanding doubled from $35 trillion, according to data compiled by BIS.

**Austerity Measures**

 Marketable U.S. government debt outstanding has soared to a record $12 trillion, from $4.5 trillion in 2007, according to U.S. Treasury data compiled by Bloomberg. Corporate bond sales globally surged during the period, with issuance totaling more than $21 trillion, Bloomberg data show.

Concerned that high debt loads would cause international investors to avoid their markets, many nations resorted to austerity measures of reduced spending and increased taxes, sacrificing their economies as they tried to restore the fiscal order they abandoned to fight the worldwide recession.
“To get out of debt, you need prudence and you need pro-growth structural reforms,” said Holger Schmieding, chief economist at Berenberg Bank in London. “Those are long-term processes. You can’t get out of debt too quickly or your economy collapses, as we saw in Greece.”

**Bond Returns**

Adjusting budgets to ignore interest payments, the International Monetary Fund said late last year that the so-called primary deficit in the Group of Seven countries reached an average 5.1 percent in 2010 when also smoothed to ignore large economic swings. The measure will fall to 1.2 percent this year, the IMF predicted.

The unprecedented retrenchments between 2010 and 2013 amounted to 3.5 percent of U.S. gross domestic product and 3.3 percent of euro-area GDP, according to Julian Callow, chief international economist at Barclays Plc in London.

Rising debt did little to diminish demand for fixed-income assets. Bonds worldwide have returned 31 percent since 2007, including reinvested interest, according to Bank of America Merrill Lynch index data. Treasury and agency debt handed investors gains of 27 percent, while corporate bonds returned more than 40 percent, the indexes show.

**Rating Downgrades**

“All total debt levels, the sum of household, government and corporate debt, haven’t declined at all in recent years,” said Ben Bennett, a credit strategist in London at Legal & General Investment Management, which oversees the equivalent of about $120 billion of corporate bonds. “Each time there’s a wobble, the central banks turn on the taps. Either that works by creating growth with asset prices eventually coming into line with fundamentals, or it doesn’t and we’re in for a massive fall.”

Bond investors haven’t penalized sovereign issuers such as the U.S., U.K., Japan and France for losing their top credit ratings. While Standard & Poor’s stripped the U.S. of its AAA ranking in August 2011, Treasuries moved in the opposite direction from what the downgrade suggested and yields touched a record low of 1.38 percent in 2012.

In the U.K., where ratings were cut one level to Aa1 from Aaa in February 2013 by Moody’s Investors Service, 10-year Gilt yields fell 26 basis points to 1.85 percent in the month after the downgrade.

**Increasing Indebtedness**

Yields on U.S. government bonds have dropped 2.3 percentage points since 2007 to an average 1.6 percent, according to Bank of America Merrill Lynch bond index data. Corporate yields have declined 2.6 percentage points to 2.9 percent.

Faster growth is deflecting concern about high debt loads. In the U.S., the government will borrow less money this year than at any time since 2008, validating the nation’s decision to go deeper into debt to combat the financial crisis as a stronger economy shrinks the deficit, based on a January survey of the Wall Street’s biggest bond dealers.
The government will sell $717 billion of notes and bonds on a net basis, 14 percent less than last year, according to a survey of primary dealers which are obligated to bid at Treasury auctions. Issuance has fallen every year since the U.S. borrowed a record $1.607 trillion in 2010, data compiled by the Securities Industry and Financial Markets Association show.

**Unprecedented Stimulus**

Helped by the Federal Reserve’s unprecedented stimulus, the Obama administration’s deficit spending has enabled the American economy to recover faster from the first global recession since World War II than European countries that chose austerity.

Faster economic growth and falling unemployment in the U.S. has slowed the build-up of debt as a proportion of GDP to 70 percent, less than two-thirds of the 24 developed nations tracked by Bloomberg. The jobless rate was 6.7 percent in February, government data showed last week, down from 7.7 percent a year earlier.

Higher corporate and individual tax receipts have prompted dealers in the Bloomberg survey to predict the U.S. budget deficit will decline by about $50 billion to $629 billion, the least since 2008.

Smaller deficits may be short-lived because government costs for retirement and health care are poised to surge in the coming decade. Spending on Social Security will rise 67 percent to $1.414 trillion in 2023 from $848 billion this year, while spending on programs including Medicare and Medicaid will almost double to $1.808 trillion in 2023, estimates from the [Congressional Budget Office](http://www.cbo.gov) released in May show.

**Debt Recovery**

Bonds in Europe’s most indebted nations are recovering from the region’s sovereign debt crisis, with 10-year yields from Greece to Ireland sinking last week to the lowest since at least 2010.

The average yield to maturity on bonds from Greece, Ireland, Italy, Portugal and Spain fell to an average 2.44 percent on March 5, the lowest in the history of the euro area, according to Bank of America Merrill Lynch indexes. That’s down from more than 9.5 percent in 2011, when the region was rocked by concern nations may struggle to service their debt.

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