

By David Wilson

Aug. 3 (Bloomberg) -- Private companies in the U.S., like the federal government, have to deal with a rising debt burden as the country's economy struggles to grow.

The CHART OF THE DAY tracks the average ratio of debt to earnings before interest, taxes, depreciation and amortization, a gauge of cash flow, for closely held enterprises since 2000. The figures were compiled by Sageworks Inc., a Raleigh, North Carolina-based provider of private-company financial analysis.

During this year's first half, the ratio climbed by 0.62 times Ebitda to 5.83. The surge is more than twice the biggest full-year advance: 0.22 times, recorded in 2003 and 2008.

"It's notable, and not great," Brian Hamilton, chief executive officer of Sageworks, said yesterday in a telephone interview. "Any increase in interest rates is going have a very significant effect on their profitability," he said, adding that private companies usually count interest costs among their five biggest expenses.

Lower rates may be prompting many of these companies to take on debt, Hamilton said. The average yield for investment-grade corporate bonds has fallen 40 basis points to 5.04 percent this year, according to an index from Moody's Investors Service.

Each basis point equals 0.01 percentage point.

Heavier reliance on borrowing explains why the ratio has jumped, he said, as private-company profits are higher. Earnings have climbed 6.6 percent this year, according to Sageworks, in the face of a 0.4 percent economic growth rate for the first quarter and a 1.3 percent pace for the second.

