

Monthly Report on  
**Capital Market Development in Bangladesh\***



March, 2021

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## Capital Market Highlights in March 2021

- *At the end of March 2021, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of index but showed an upward trend in terms of turnover compared to that of the end of February 2021.*
- *Total turnover value of traded shares of DSE and CSE were BDT 144.80 billion and BDT 9.44 billion respectively at the end of March 2021, which were 0.22 percent and 22.50 percent higher respectively than that of February 2021.*
- *Broad index of DSE and all share price index of CSE fell to 5278.16 points and 15264.62 points respectively at the end of March 2021, which were 5404.80 points and 15603.80 points respectively at the end of February 2021.*
- *In the face of Covid-19 situation considering the financial ability of the banks and the issue of return of the investors, amendment has been made by Department of Off-Site Supervision (DOS), circular letter no-07 dated 16.03.2021 as banks those are not in pre-existing Deferral benefits from Bangladesh Bank to meet other expenses including provision reserves or without availing any such Deferral benefits in the calendar year under consideration, are able to maintain capital reserve a minimum of 15.0% or more with a 2.5% capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 35% with a maximum of 17.50% cash according to the bank's ability which was 30% with a maximum of 15% cash in circular no-01 dated 07.02.2021.*

## Capital Market Development in Bangladesh March, 2021

Capital market acts as a bridge of long term financing for the industrial development of a country through the selling and purchasing of shares, debentures, bonds, mutual funds, treasury bills, certificates etc and the turn-over of capital market contributes to the GDP of the country. Capital market in Bangladesh consists of two full-fledged automated stock exchanges- the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Bangladesh Securities and Exchange Commission (BSEC), as the watchdog regulates the stock exchanges of the country.

### Capital Market Activities during the Month

At the end of March 2021, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of index but showed an upward trend in terms of turnover compared to the end of February 2021. Total turnover value of traded shares of DSE and CSE were BDT 144.80 billion and BDT 9.44 billion at the end of March 2021, which were 0.22 percent and 22.50 percent higher than that of February 2021. Broad index of DSE and all share price index of CSE fell to 5278.16 points and 15264.62 points at the end of March 2021 which was 5404.80 points and 15603.80 points at the end of February 2021.

**Table-1: Monthly Trends in Important Indicators of DSE and CSE**

(BDT in billions)

End Month	Enlisted issues (Incl. Mutual Funds/Deb.)		Issued capital and Debentures (Billion Taka)		Market Capitalization (Billion Taka)		Turnover during the month (Billion Taka)		Indices		Price/Earning Ratio		Yield	
	DSE	CSE	DSE	CSE	DSE#	CSE	DSE	CSE	DSE Broad Index (DSEX Shariah Index)	CSE All Share Price Index (CSE Shariah Index)	DSE	CSE	DSE	CSE
Mar-21	603	344	1384.62	820.22	4589.02	3861.42	144.80	9.44	5278.16 (1204.18)	15264.62 (982.59)	16.89	17.27	3.85	3.61
Feb-21	600	341	1371.79	806.75	4657.37	3919.44	144.49	7.71	5404.80 (1222.84)	15603.80 (983.85)	17.41	16.70	3.09	2.99
Jan-21	597	338	1368.94	803.28	4790.29	4072.72	339.59	17.28	5649.86 (1265.37)	16474.97 (1031.29)	18.00	18.19	3.01	2.95
Dec-20	597	338	1375.28	809.29	4482.30	3754.95	215.88	9.18	5402.07 (1242.11)	15592.92 (1018.85)	16.53	14.98	3.16	3.11
Nov-20	593	335	1316.10	754.02	3899.79	3212.33	174.07	5.80	4866.84 (1113.98)	13991.43 (919.67)	12.98	12.82	3.73	3.46
Oct-20	593	335	1315.83	750.21	3912.52	3227.92	170.40	5.41	4846.1022 (1098.80)	13824.13 (888.06)	13.21	12.89	3.70	3.43
Sep-20	592	334	1311.98	748.25	3996.42	3300.77	222.58	7.19	4963.29 (1120.39)	14167.23 (912.64)	13.51	13.97	3.61	3.36
Aug-20	591	333	1306.01	744.83	3698.34	2997.00	186.18	5.94	4879.15 (1132.85)	13908.14 (902.97)	13.06	12.68	3.69	3.87
Jul-20	590	332	1300.96	743.24	3257.33	2572.76	60.01	3.50	4214.43 (976.50)	11957.06 (777.28)	11.37	11.40	4.29	4.56
Jun-20 <sup>@</sup>	589	331	1297.44	735.90	3119.67	2447.57	47.80	9.53	3989.09 (925.08)	11332.59 (733.28)	10.78	10.68	4.43	4.73
Mar-20	589	331	1297.44	733.08	3122.35	2445.72	66.46	4.84	4008.29 (920.69)	11328.00 (729.30)	10.58	10.56	5.50	4.77

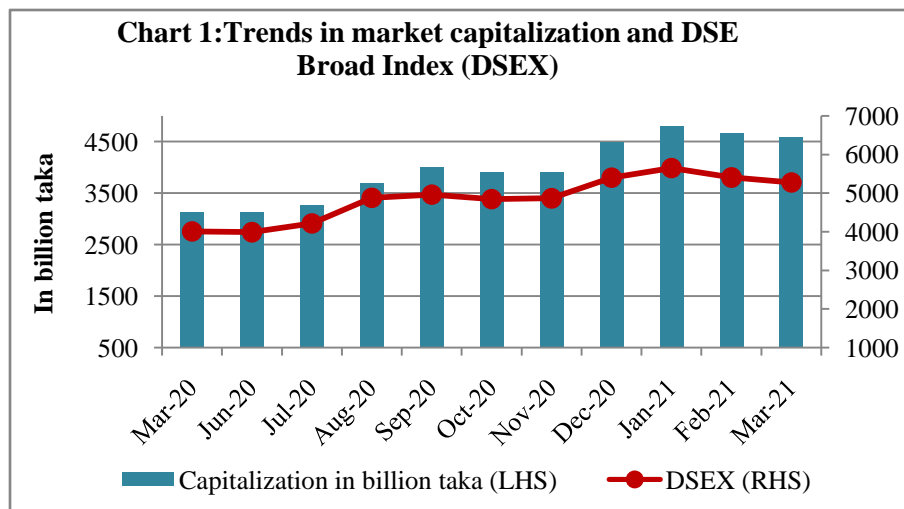
Source: Dhaka Stock Exchange (DSE) & Chittagong Stock Exchange (CSE) Note: BDT= Bangladeshi Currency (Taka)

<sup>@</sup> No transactions were made in April & May, 2020 due to ordinary holiday for Covid-19

<sup>#</sup>Total Market Capitalization of all listed securities includes companies, mutual funds, corporate bonds, treasury bonds and debentures.

## Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 603 at the end of March 2021. Among listed securities, there were 335 companies, 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 31 banks, 23 financial Institutions, 50 insurance companies and 231 others companies.



Total turnover value of traded shares was BDT 144.80 billion during March 2021 which was 0.22 percent higher than that of February 2021 and 117.89 percent higher than that of the same month of the last year (Table-1).

DSE Broad Index (DSEX) stood at 5278.16 points at the end of March 2021, which was 2.34 percent lower than 5404.80 points at the end of February 2021 and 31.68 percent higher than 4008.29 points at the end of March 2020 (Chart-1).

The market capitalization of DSE stood at BDT 4589.02 billion at the end of March 2021 which was 1.47 percent lower than BDT 4657.37 billion at the end of February 2021 and 46.97 percent higher than that of BDT 3122.35 billion at the end of March 2020 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 16.41 percent\* at the end of March 2021 which was 16.65 percent at the end of February 2021.

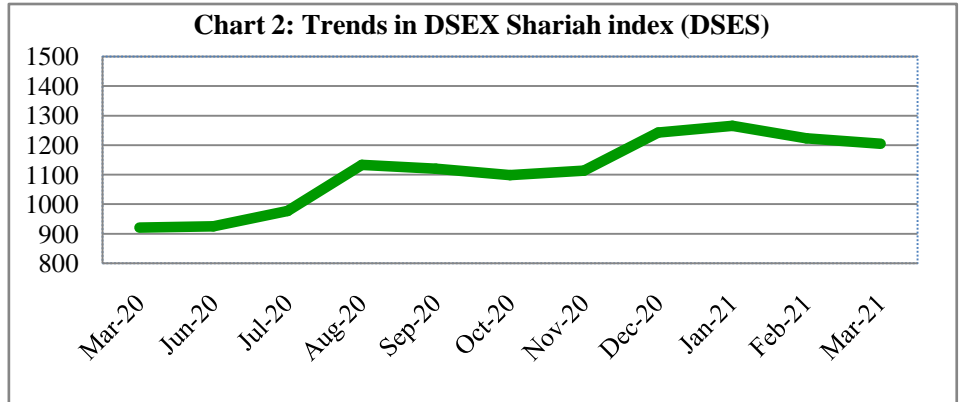
**Table-2: Market Capitalization to GDP ratio**

Month	Market Cap. to GDP ratio
Mar-21	16.41
Feb-21	16.65
Jan-21	17.13
Dec-20	16.03
Nov-20	13.95
Oct-20	13.99
Sep-20	14.29
Aug-20	13.23
Jul-20	11.65
Jun-20	11.16
Mar-20	11.17

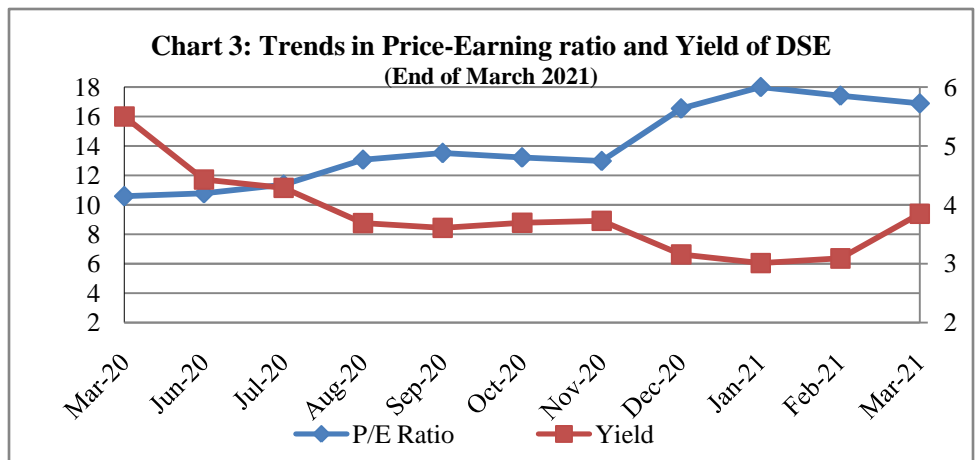
Source: RD own calculation

\*The ratio of market capitalization to GDP is calculated as market capitalization divided by GDP of FY20<sup>p</sup> at current market price multiplied by 100 which is 16.41 [(4589.02/27963.78) x100 = 16.41].

Sharia'h Compliant index named DSES went down to 1204.18 points at the end of March 2021 which was 1222.84 points at the end of February 2021 and 920.69 points at the end of March 2020 (Chart -2).

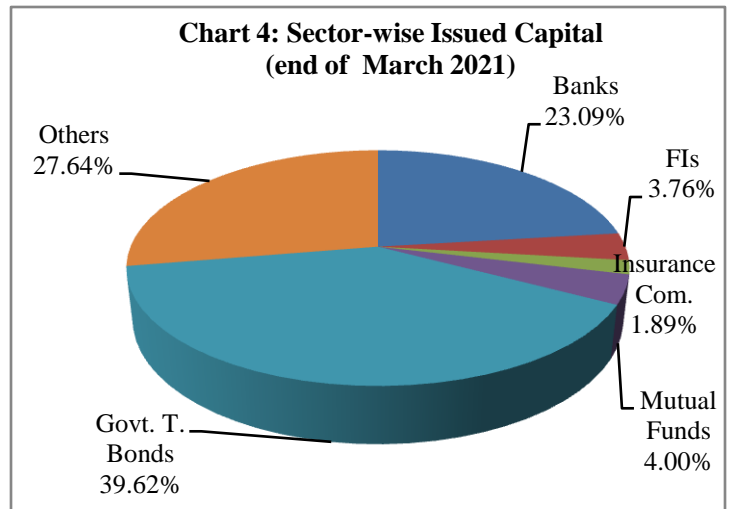


The price-earning (P/E) ratio decreased to 16.89 at the end of March 2021 which was 17.41 at the end of February 2021. The ratio was 10.58 at the end of March 2020. On the other hand, the yield of all share increased to 3.85 at the end of March 2021 which was 3.09 at the end of February 2021 and 5.50 at the end of March 2020. Trends of price-earnings ratio and yield are shown in the Chart-3.

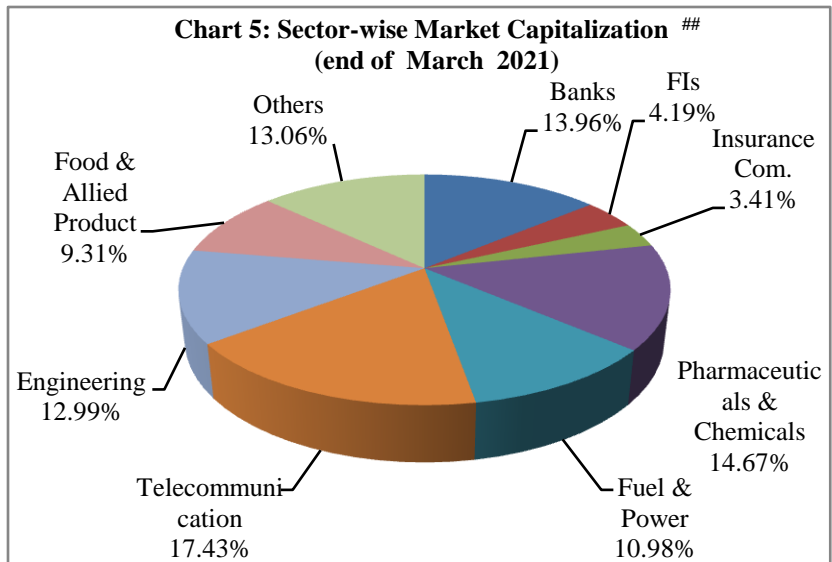


### Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital was BDT 1384.62 billion at the end of March 2021, which were BDT 1371.79 billion at the end of February 2021 and BDT 1297.44 billion at the end of March 2020. At the end of March 2021 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 39.62 percent of the capital followed by Banks 23.09 percent, Mutual Funds 4.00 percent, Financial Institutions (FIs) 3.76 percent, Insurance Companies 1.89 percent and others 27.64 percent (Chart-4).

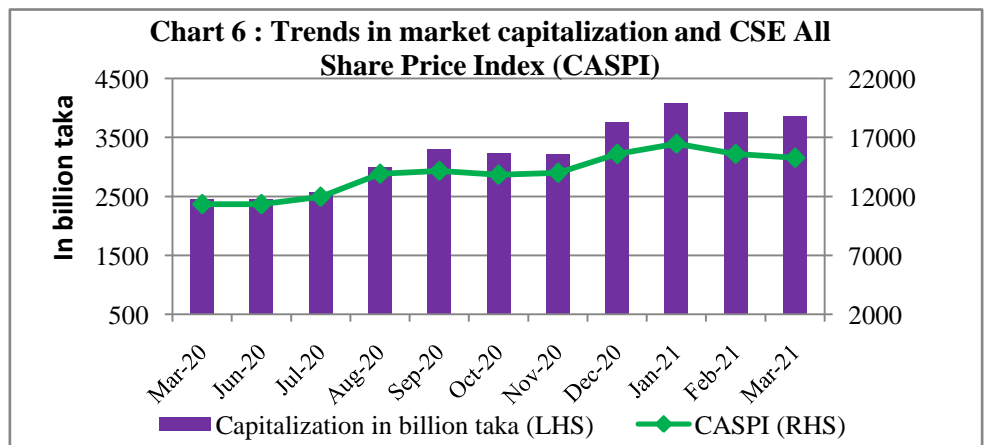


At the end of March 2021, Telecommunication recorded as the highest contributor of market capitalization which was 17.43 percent followed by Pharmaceuticals & Chemicals 14.67 percent, Banks 13.96 percent, Engineering 12.99 percent, Fuel & Power 10.98 percent, Food & Allied Product 9.31 percent, Financial Institutions 4.19 percent, Insurance Companies 3.41 percent, and Others 13.06 percent (Chart-5).



### Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 344 at the end of March 2021. Total turnover value of traded shares was BDT 9.44 billion during March 2021, which were 22.50 percent higher than that of February 2021 and 95.31 percent higher than that of the same month of the previous year. The market capitalization of CSE stood at BDT 3861.42 billion at the end of March 2021, which was 1.48 percent lower than that of February 2021 and 57.89 percent higher than that of March 2020. All Share Price Index of CSE stood at 15264.62 points at the end of March 2021 which was 2.17 percent lower than 15603.80 points at the end of February 2021 and 34.75 percent higher than 11328.00 points at the end of March 2020 (Chart-6).



The Shariah Compliant index 'CSES' went down to 982.59 points at the end of March 2021 which was 983.85 points at the end of February 2021 and 729 points at the end of March 2020. The total amount of issued capital increased to BDT 820.22 billion at the end of March 2021 which was BDT 806.75 billion at the end of February 2021 and BDT 733.08 billion at the end of March 2020. Price Earnings (P/E) ratio in CSE increased to 17.27 at the end of March 2021 which was 16.70 at the end of February 2021. The ratio was 10.56 at the end of March 2020. In Chittagong Stock Exchange, the yield increased to 3.61 at the end of March 2021 which was 2.99 at the end of February 2021. It was 4.77 at the end of March 2020.

<sup>##</sup> Sector-wise Market Capitalization of all listed securities excluding Bangladesh Govt. Treasury Bonds (BGTBs) and debentures since these two types of products are not taking part in trading in the market.

## Policy Measures of Bangladesh Bank for Capital Market during 2020-2021

Initiatives have been continuing to bring back the momentum of the economy and national progress to the previous trend of Corona situation through the implementation of various financial and policy supportive incentive packages announced by the Government and Bangladesh Bank. In such circumstances, there is a need to further strengthen the capital structure of banks in the coming years. For this purpose, considering the financial capacity of the banks and also the issue of return of the investors, it has been instructed to all scheduled banks to follow the subsequent instructions in case of dividend declaration against their shares for 2020.

- 1) Banks that are not in pre-existing Deferral benefits from Bangladesh Bank to meet other expenses including provision reserves or without availing any such Deferral benefits in the calendar year under consideration, will be able to maintain capital reserve a minimum of 15.0% or more with a 2.5% capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 30% with a maximum of 15% cash according to their ability.
- 2) Banks that will be able to maintain capital reserve at minimum 13.5% to 15.0% with a 2.5% capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 25% with maximum 12.5% cash as per their ability with the approval of Bangladesh Bank.
- 3) Banks which will be able to maintain a minimum of 11.875% capital with capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 15% with maximum 7.5% cash as per their ability with the approval of Bangladesh Bank.
- 4) Banks with a minimum capital of 12.5% or more including capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 12% with a maximum of 6% cash, with the approval of Bangladesh Bank.
- 5) Banks with a minimum capital of 11.875% to maximum 12.5% including capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 10% with a maximum of 5% cash, with the approval of Bangladesh Bank.
- 6) Banks with a minimum capital of 10.625% to maximum 11.875% including capital conservation buffer against risk capital assets will be permissible to declare a total stock dividend of 5% with the approval of Bangladesh Bank.
- 7) According to amendment circular letter no-07 of Department of Off-Site Supervision (DOS) dated 16.03.2021 banks those are not in pre-existing Deferral benefits from Bangladesh Bank to meet other expenses including provision reserves or without availing any such Deferral benefits in the calendar year under consideration, are able to maintain capital reserve a minimum of 15.0% or more with a 2.5% capital conservation buffer against risk capital assets will be permissible to declare a total dividend of 35% with a maximum of 17.50% cash according to the bank's ability.