

Capital Market Development in Bangladesh¹



August, 2023

Research Department
Division-4
(Special Studies and Fiscal Affairs Wing)

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Monthly Report on Capital Market Development: August 2023

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Highlights of Capital Market Development: August 2023

- ☞ *Total number of listed securities of DSE and CSE stood at 652 and 614 respectively at the end of August 2023.*
- ☞ *Broad index of DSE and all share price index of CSE decreased to 6299.50 and 18633.18 at the end of August 2023 from 6324.81 and 18683.43 at the end of July 2023.*
- ☞ *DSEX shariah index (DSES) and CSE shariah index (CSI) increased to 1372.52 and 1175.12 at the end of August 2023 from 1370.92 and 1171.83 at the end of July 2023.*
- ☞ *The market capitalization of DSE and CSE decreased to BDT 7748.98 billion and BDT 7668.47 billion at the end of August 2023 from BDT 7800.01 billion and BDT 7717.18 billion respectively at the end of July 2023.*
- ☞ *Total turnover value of traded securities of DSE and CSE decreased to BDT 96.52 billion and BDT 0.24 billion during August 2023 from BDT 171.28 billion and BDT 3.27 billion during July 2023.*
- ☞ *The price-earning (P/E) ratio of DSE and CSE stood at 14.39 and 13.94 respectively at the end of August 2023 which were 14.44 and 14.08 respectively at the end of July 2023.*

Capital Market Development in Bangladesh August, 2023

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

At the end of August 2023, broad index of the DSE and all share price index of the CSE were 0.40 percent and 0.27 percent lower respectively than that of the previous month. During August 2023, total turnover value of traded securities of DSE and CSE were 43.65 percent and 92.66 percent lower respectively than that of the previous month.

The status of some of the important indicators of DSE and CSE for the months from August 2022 to August 2023 is given in Table-1.

Table-1: Status of Some Important Indicators of DSE and CSE

End of Month	Number of listed Securities		Issued capital and Debentures (Billion BDT)		Total Market ² Capitalization (Billion BDT)		Total Turnover (Billion BDT)		Major Indices				Price/Earning Ratio ³		Yield ⁴	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE		CSE		DSE	CSE	DSE	CSE
									Broad Index	Shariah index	All Share Price Index	Shariah index				
Aug-23	652	614	4266.26	4255.27	7748.98	7668.47	96.52	0.24	6299.50	1372.52	18633.18	1175.12	14.39	13.94	3.65	3.55
Jul-23	654	616	4311.41	4301.76	7800.01	7717.18	171.28	3.27	6324.81	1370.92	18683.43	1171.83	14.44	14.08	3.67	3.54
Jun-23	653	615	4177.78	4166.96	7702.32	7577.86	146.80	13.80	6344.09	1377.00	18702.20	1176.32	14.34	14.16	3.67	3.26
May-23	653	615	4166.78	4162.11	7708.91	7587.00	184.62	3.23	6339.74	1377.00	18714.52	1175.39	14.50	14.27	3.69	3.48
Apr-23	652	614	4128.51	4117.41	7656.91	7503.88	102.96	1.37	6262.69	1359.83	18451.91	1161.04	14.35	14.54	3.73	3.50
Mar-23	654	616	4118.94	4128.24	7620.28	7482.34	94.06	3.22	6206.80	1349.33	18288.34	1148.75	14.24	14.25	3.76	3.51
Feb-23	655	617	4133.24	4140.85	7628.27	7484.19	86.29	2.03	6216.95	1359.66	18326.02	1158.44	14.33	14.54	3.88	3.62
Jan-23	657	619	4141.55	4147.75	7654.72	7534.33	117.27	2.84	6267.05	1366.01	18513.67	1172.71	14.40	14.48	3.86	3.53
Dec-22	656	618	4117.16	3662.73	7609.37	7414.38	72.31	2.87	6206.81	1358.84	18328.02	1160.95	14.10	14.35	3.93	3.59
Nov-22	656	618	4112.93	4096.77	7642.41	7436.13	163.27	3.59	6235.95	1370.18	18408.51	1169.88	14.50	16.26	3.92	3.58
Oct-22	656	621	4093.52	4086.25	7669.18	7460.16	210.92	4.91	6307.34	1377.43	18622.81	1186.57	14.69	15.99	3.86	3.56
Sep-22	626	366	1527.54	916.70	5199.14	4374.71	354.80	13.11	6512.89	1419.73	19189.28	1234.07	14.91	16.08	3.39	3.49
Aug-22	625	364	1526.41	911.53	5188.23	4360.21	254.72	5.79	6457.22	1398.67	19005.93	1208.54	14.42	15.88	3.86	3.61

Note: BDT= Bangladeshi Currency (Taka)

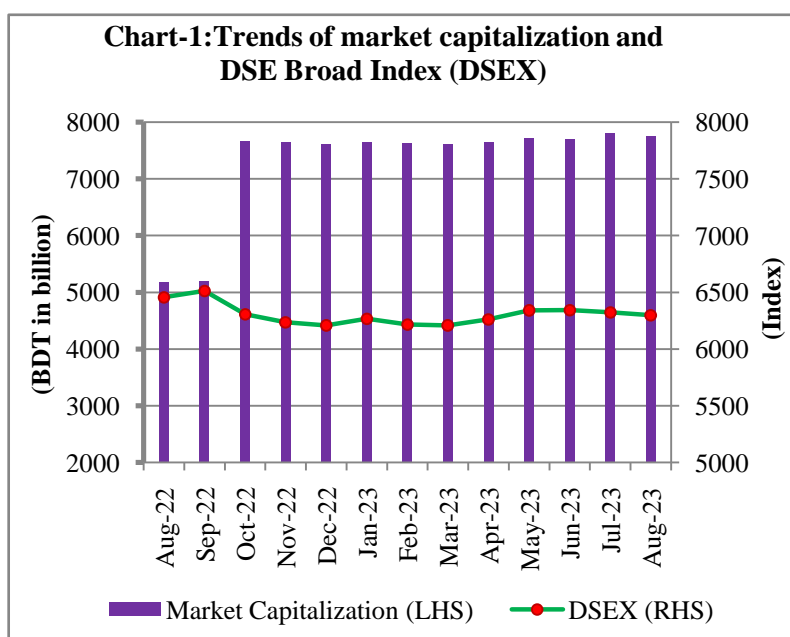
²Total market capitalization of DSE includes companies, mutual funds, corporate bonds, govt. treasury bonds and debentures etc. whereas total market capitalization of CSE does not include debentures.

$$^3 \frac{P}{E} = \frac{\text{closing price}}{\text{earning per share}};$$

$$^4 \text{Yield} = \frac{\text{dividend per share}}{\text{closing price}} \times 100$$

Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 652 at the end of August 2023. Among the listed securities, there were 356 companies, 36 mutual funds, 241 government bonds, 8 debentures and 11 corporate bonds. The number of companies consists of 35 banks, 23 financial institutions, 57 insurance companies, and 241 other companies. DSE broad index (DSEX) stood at 6299.50 at the end of August 2023 which was 0.40 percent lower than that of the previous month and 2.44 percent lower than that of the same month of the preceding year. The market capitalization of DSE stood at BDT 7748.98 billion at the end of



Source: Dhaka Stock Exchange

August 2023 which was 0.65 percent lower than that of the previous month but 49.36 percent higher than that of the same month of the previous year. The trends of market capitalization and DSE broad index (DSEX) are shown in Chart-1. The ratio of market capitalization of DSE to GDP (at current market price) stood at 17.46 percent at the end of August 2023 which was 17.57 percent at the end of July 2023 and 11.69 percent at the end of the corresponding month of the previous year (Table-2).

It may be mentioned that a significant increase in market capitalization of DSE from BDT 5199.14 billion in September 2022 to BDT 7669.18 billion in October 2022 was appeared due to the jump in the number of listed govt. treasury bonds from 222 to 250 during the same period, which ultimately helped to increase the market capitalization to GDP ratio from October 2022 onwards.

Table-2: Ratio of Market Capitalization to GDP⁵

End of Month	Ratio of Market Capitalization to GDP
August-2023	17.46
July-2023	17.57
June-2023	17.35
May-2023	17.37
April-2023	17.25
March-2023	17.17
February-2023	17.18
January-2023	17.24
December-2022	17.14
November-2022	17.22
October-2022	17.28
September-2022	11.71
August-2022	11.69

Source: Own calculation by the officials of RD, BB

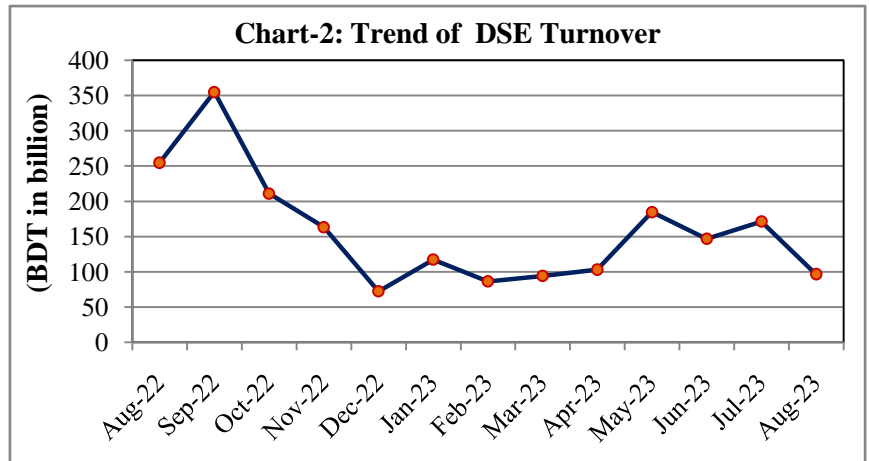
⁵The ratio of market capitalization to GDP is calculated as market capitalization divided by provisional GDP of FY23 at current market price multiplied by 100 [Example: (7748.98/44392.73) x100 = 17.46 for August 2023]. It may be noted that the provisional GDP of FY23 has been taken from National Accounts Statistics published recently by BBS.

During August 2023, value of total turnover of the traded securities of DSE stood at BDT 96.52 billion which was 43.65 percent lower than that of July 2023 and 62.11 percent lower than that of the same month of the previous year. The trend of total turnover in the DSE is shown in Chart-2.

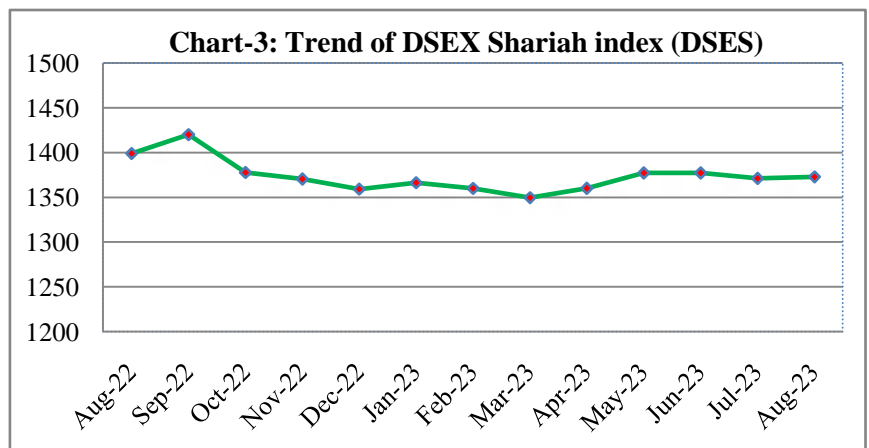
At the end of August 2023, DSEX shariah index (DSES) stood at 1372.52 which was 0.12 percent higher than that of the previous month but 1.87 percent lower than that of the same month of the previous year. The trend of the DSEX shariah index (DSES) is shown in Chart-3.

The price-earning (P/E) ratio of all securities of DSE stood at 14.39 at the end of August 2023 which was 14.44 at the end of July 2023 and 14.42 at the end of August 2022.

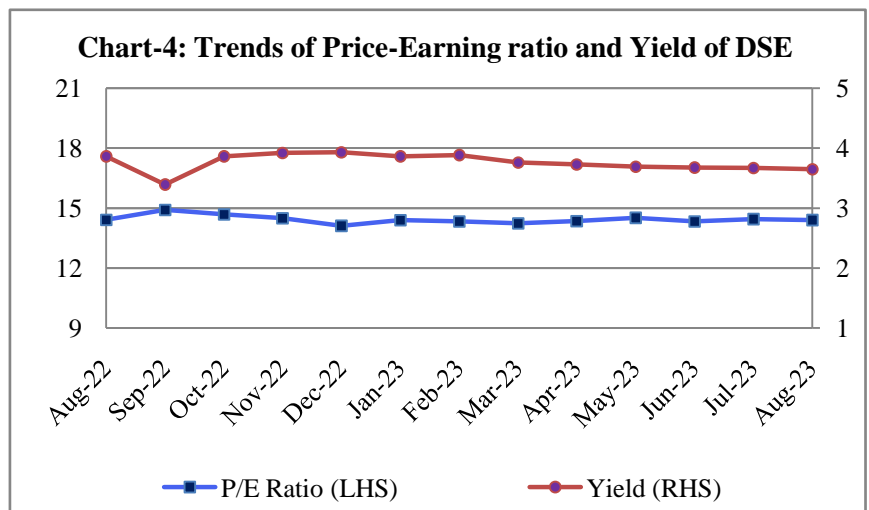
The yield of all securities of DSE stood at 3.65 at the end of August 2023 which was 3.67 at the end of July 2023 and 3.86 at the end of August 2022. Trends of price-earnings ratio and yield of DSE are shown in Chart-4.



Source: Dhaka Stock Exchange



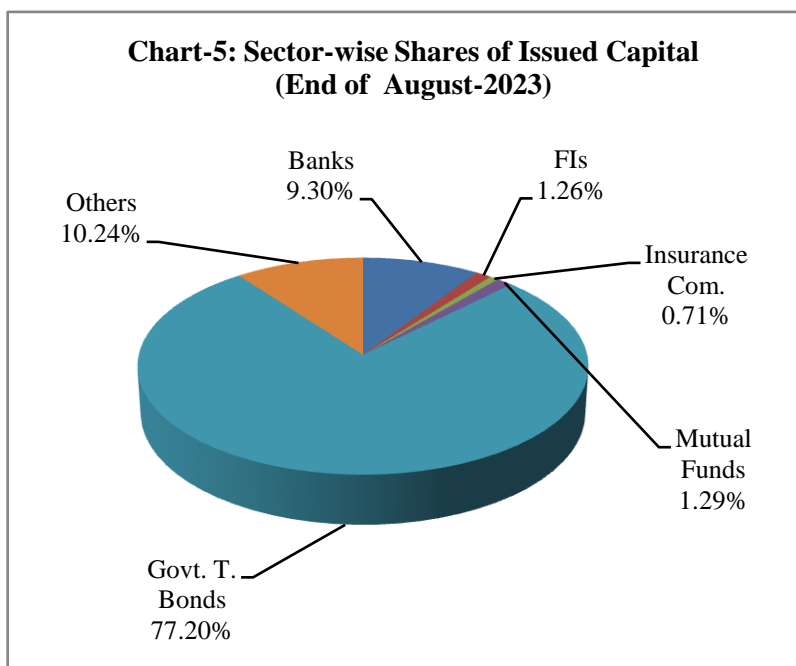
Source: Dhaka Stock Exchange



Source: Dhaka Stock Exchange

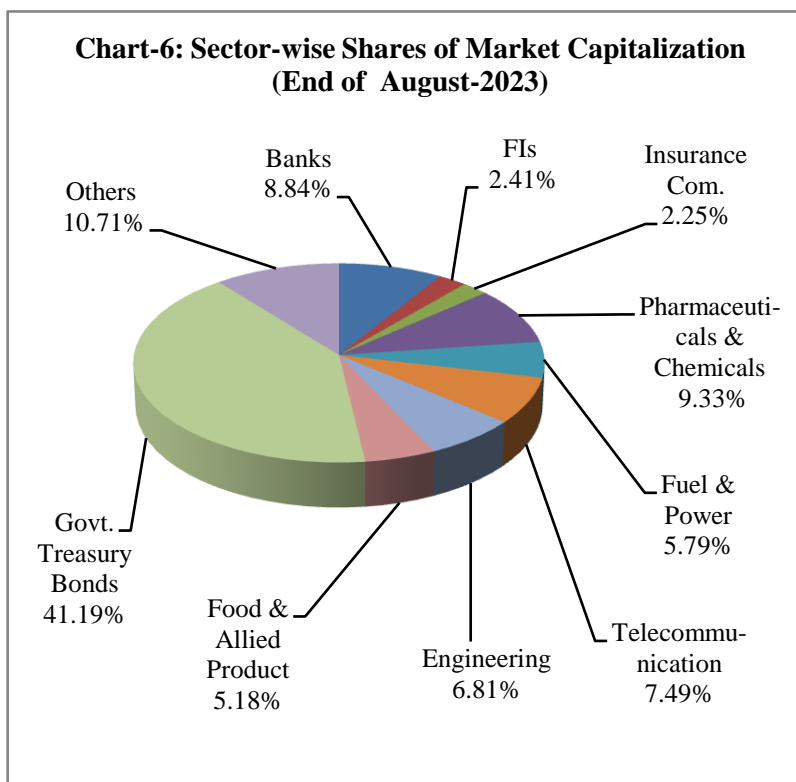
Sector-wise Issued Capital and Market Capitalization of DSE

The total amount of issued capital of DSE decreased to BDT 4266.26 billion at the end of August 2023 from BDT 4311.41 billion at the end of July 2023 but increased as compared to BDT 1526.41 billion at the end of August 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominated the market in terms of issued capital at the end of August 2023. This sector alone occupied around 77.20 percent of the capital followed by banks 9.30 percent, mutual funds 1.29 percent, financial institutions (FIs) 1.26 percent, insurance companies 0.71 percent and others 10.24 percent (Chart-5).



Source: Dhaka Stock Exchange

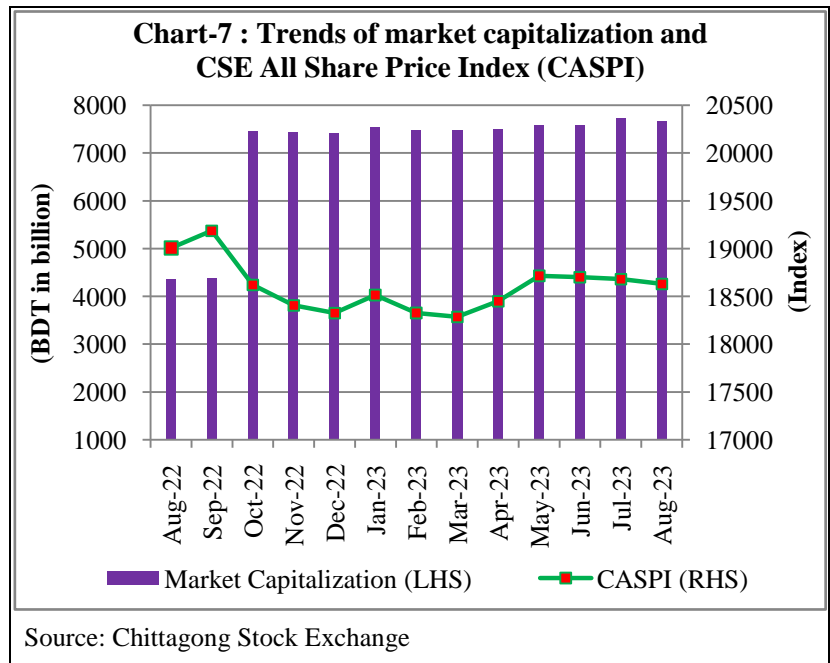
The total amount of market capitalization of DSE decreased to BDT 7748.98 billion at the end of August 2023 from BDT 7800.01 billion at the end of July 2023 but increased as compared to BDT 5188.23 billion at the end of August 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) alone recorded as the highest contributor of market capitalization which was 41.19 percent followed by pharmaceuticals & chemicals 9.33 percent, banks 8.84 percent, telecommunication 7.49 percent, engineering 6.81 percent, fuel & power 5.79 percent, food & allied product 5.18 percent, financial institutions 2.41 percent, insurance companies 2.25 percent and others 10.71 percent (Chart-6). It may be mentioned that debentures are not included in the sector-wise market capitalization of all listed securities because these products are not currently traded in the market.



Source: Dhaka Stock Exchange

Chittagong Stock Exchange (CSE)

The total number of listed securities in the CSE stood at 614 at the end of August 2023. The total amount of issued capital decreased to BDT 4255.27 billion at the end of August 2023 from BDT 4301.76 billion at the end of July 2023, but increased as compared to BDT 911.53 billion at the end of the same month of the previous year. It may be mentioned that 250 BGTBs were listed newly in the CSE in October 2022 and the issued capital increased to BDT 4086.25 billion from BDT 916.70 billion in September 2022. All share price index of CSE (CASPI) stood at 18633.18 at the end



of August 2023 which was 0.27 percent lower than that of July 2023 and 1.96 percent lower than that of the same month of the previous year. CSE shariah index (CSI) increased to 1175.12 at the end of August 2023 from 1171.83 at the end of the previous month, but decreased as compared to 1208.54 at the end of the corresponding month of the previous year. The market capitalization of the CSE stood at BDT 7668.47 billion at the end of August 2023 which was 0.63 percent lower than that of July 2023, but 75.87 percent higher than that of the same month of the previous year. The trends of market capitalization and all share price index of the CSE are shown in Chart-7.

During the month of August 2023, value of total turnover of traded securities of CSE decreased to BDT 0.24 billion from BDT 3.27 billion during the previous month and BDT 5.79 billion during the same month of the previous year. Price-earnings (P/E) ratio of all securities of CSE stood at 13.94 at the end of August 2023 which was 14.08 at the end of July 2023 and 15.88 at the end of August 2022. The yield stood at 3.55 at the end of August 2023 which was 3.54 and 3.61 at the end of July 2023 and August 2022 respectively.

Recent Steps for Developing Capital Market

- Bangladesh Bank issued a circular on 31 August 2023 regarding the investment in capital market by bank company. The circular stated that previously bank companies were directed to include all types of shares, debentures, corporate bonds, mutual fund units and other capital market instruments in their capital market investment portfolios on both solo and consolidated bases. However, an amendment in 2023 has excluded bonds, debentures, and Shariah-based instruments from banks' prescribed investment limits. In this regard, the formats for capital market investment disclosures have been updated in accordance with both solo and consolidated bases (the detailed information is given on the web link: <https://www.bb.org.bd/en/index.php/mediaroom/circular>).
- The Bangladesh Securities and Exchange Commission (BSEC) issued a directive on 13 August 2023 extending the time for investment in listed debt securities up to March 2024. This directive modifies

previous circulars related to investment requirements in listed debt securities and Treasury Bonds. Initially, securities market intermediaries, including merchant bankers, portfolio managers, asset managers, and stock-dealers, were required to invest a minimum of 3% of their own portfolios and at least 3% of the portfolio value of mutual funds in listed debt securities within 30 June 2022. Additionally, a separate circular required a minimum investment of 1% of their own portfolios in listed Treasury Bonds securities within 30 June 2023 with reporting of the same under BOIDs. The recent directive extends the deadline for compliance with these investment ratios up to March 2024 (the detailed information is given on the web link: https://sec.gov.bd/slaws/Directive_13.08.2023.pdf).