

Capital Market Development in Bangladesh¹



July, 2023

Research Department
Division-4
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Monthly Report on Capital Market Development: July 2023

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Highlights of Capital Market Development: July 2023

- ☛ *Total number of listed securities of DSE and CSE stood at 654 and 616 respectively at the end of July 2023.*
- ☛ *Broad index of DSE and all share price index of CSE decreased to 6324.81 and 18683.43 at the end of July 2023 from 6344.09 and 18702.20 at the end of June 2023.*
- ☛ *DSEX shariah index (DSES) and CSE shariah index (CSI) decreased to 1370.92 and 1171.83 at the end of July 2023 from 1377.0 and 1176.32 at the end of June 2023.*
- ☛ *The market capitalization of DSE and CSE increased to BDT 7800.01 billion and BDT 7717.18 billion at the end of July 2023 from BDT 7702.32 billion and BDT 7577.86 billion respectively at the end of June 2023.*
- ☛ *Total turnover value of traded securities of DSE increased to BDT 171.28 billion during July 2023 from BDT 146.80 billion during June 2023 whereas total turnover value of traded securities of CSE decreased to BDT 3.27 billion during July 2023 from BDT 13.80 billion during June 2023.*
- ☛ *The price-earning (P/E) ratio of DSE and CSE stood at 14.44 and 14.08 respectively at the end of July 2023 which were 14.34 and 14.16 respectively at the end of June 2023.*

Capital Market Development in Bangladesh July, 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 July 2023, broad index of the DSE and all share price index of the CSE were 0.30 percent and 0.10 percent lower respectively than that of the previous month. During July 2023, total turnover value of traded securities of DSE was 16.68 percent higher than that of the previous month whereas total turnover value of traded securities of CSE was 76.30 percent lower than that of the previous month.

The status of some of the important indicators of DSE and CSE for the months from July 2022 to July 2023 is given in the 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				
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
Jul-22	625	364	1523.44	911.23	5028.78	4187.29	122.84	3.61	6133.96	1339.48	17976.66	1132.58	13.83	17.02	4.00	3.72

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.

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

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

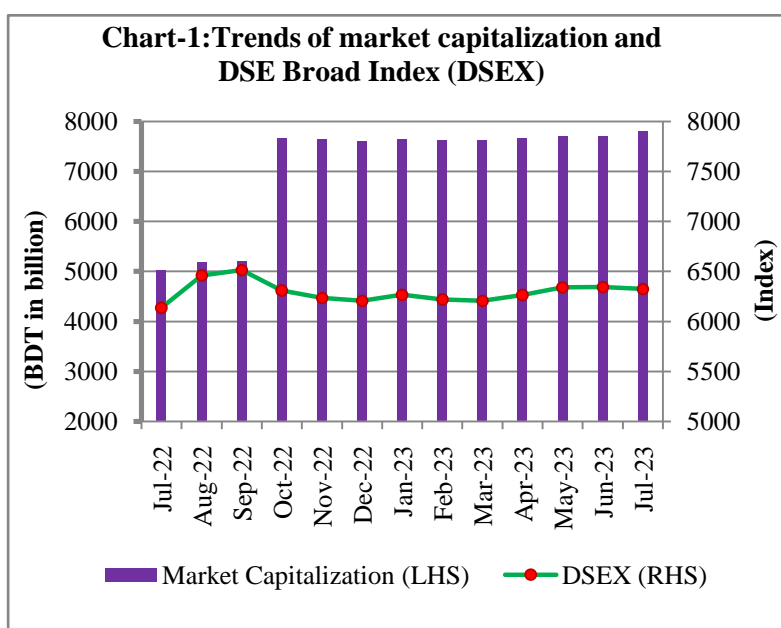
Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 654 at the end of July 2023. Among the listed securities, there were 356 companies, 36 mutual funds, 243 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 6324.81 at the end of July 2023 which was 0.30 percent lower than that of the previous month but 3.11 percent higher than that of the same month of the preceding year. The market capitalization of DSE stood at BDT 7800.01 billion at the end of July 2023

which was 1.27 percent higher than that of the previous month and 55.11 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) increased to 17.57 percent at the end of July 2023 which was 17.35 percent at the end of June 2023 and 11.33 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.



Source: Dhaka Stock Exchange

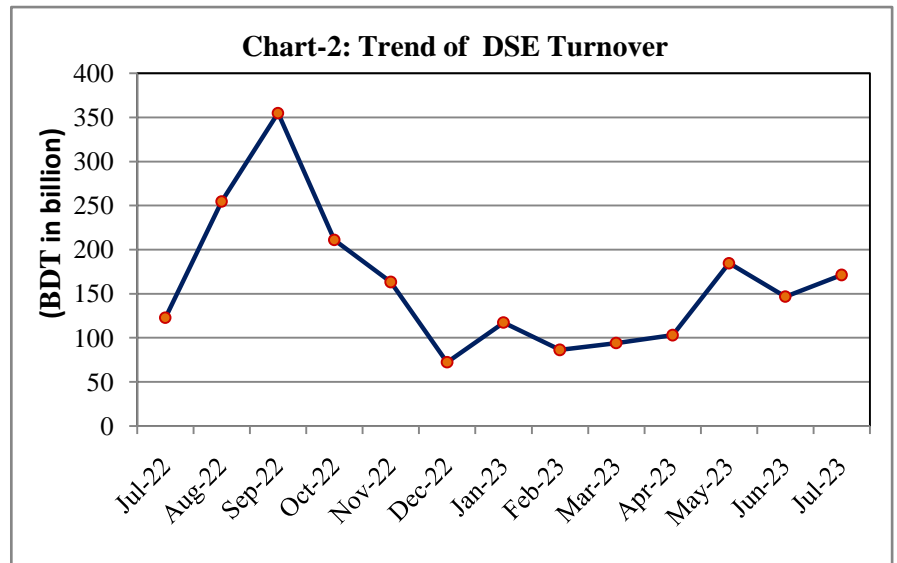
Table-2: Ratio of Market Capitalization to GDP⁵

End of Month	Ratio of Market Capitalization to GDP
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
July-2022	11.33

Source: Own calculation by the officials of RD, BB

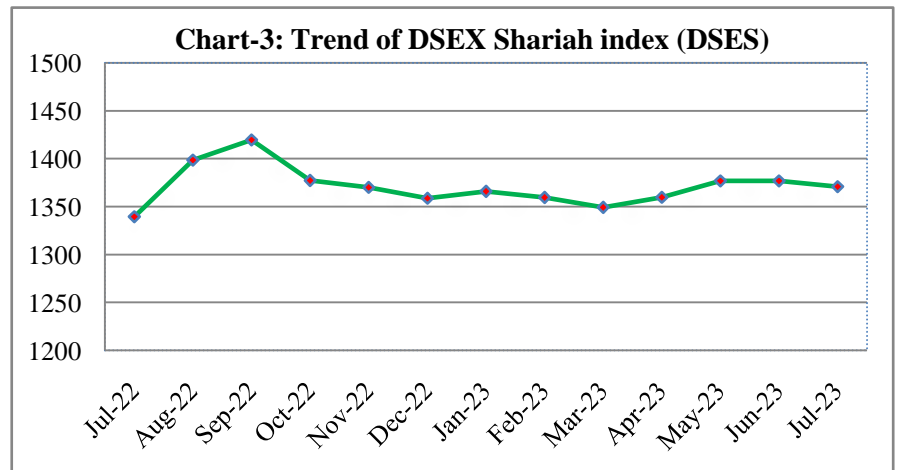
⁵The ratio of market capitalization to GDP is calculated as market capitalization divided by provisional GDP of FY23 at current market price multiplied by 100 [Example: (7800.01/44392.73) x 100 = 17.57 for July 2023]. It may be noted that the provisional GDP of FY23 has been taken from the recently published statement of BBS.

During July 2023, value of total turnover of the traded securities of DSE stood at BDT 171.28 billion which was 16.68 percent higher than that of June 2023 and 39.43 percent higher than that of the corresponding month of the previous year. The trend of total turnover in the DSE is shown in chart-2.



Source: Dhaka Stock Exchange

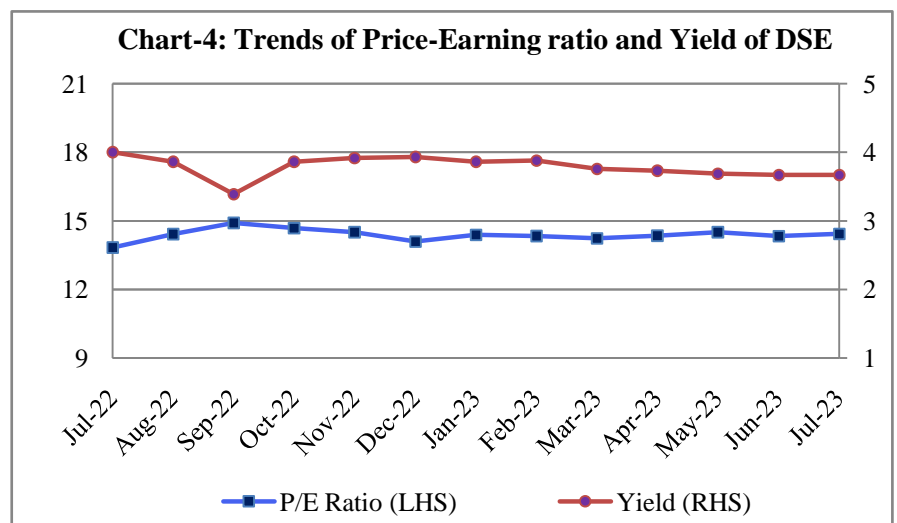
At the end of July 2023, DSEX shariah index (DSES) stood at 1370.92 which was 0.44 percent lower than that of the previous month but 2.35 percent higher than that of the same month of the previous year. The trend of the DSEX shariah index (DSES) is shown in chart-3.



Source: Dhaka Stock Exchange

The price-earning (P/E) ratio of all securities of DSE stood at 14.44 at the end of July 2023 which was 14.34 at the end of June 2023. This ratio was 13.83 at the end of July 2022.

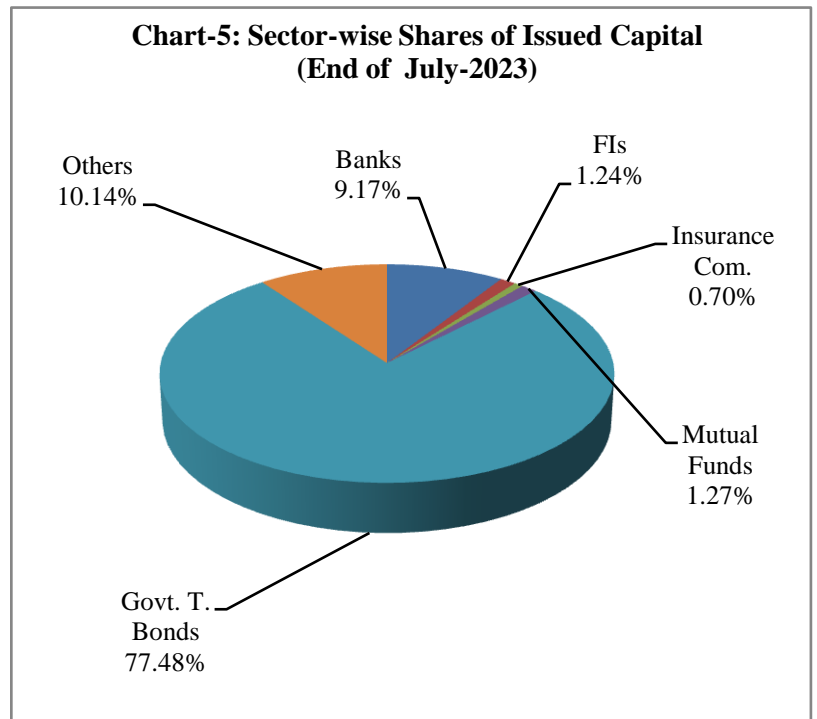
The yield of all securities of DSE stood at 3.67 at the end of July 2023 which was the same at the end of June 2023 but remained 4.00 at the end of July 2022. Trends of price-earnings ratio and yield of DSE are shown in Chart-4.



Source: Dhaka Stock Exchange

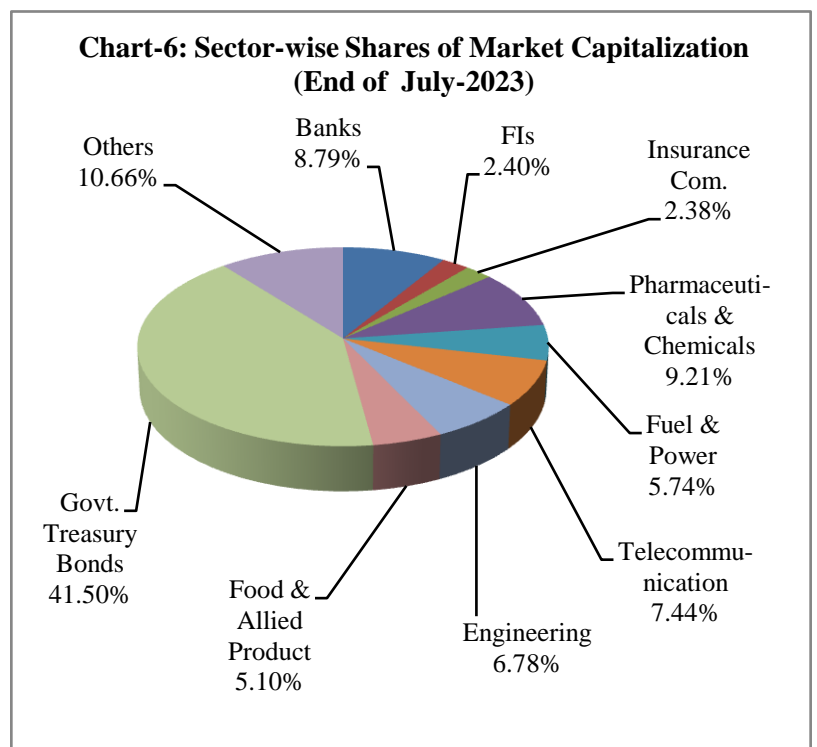
Sector-wise Issued Capital and Market Capitalization of DSE

The total amount of issued capital of DSE increased to BDT 4311.41 billion at the end of July 2023 from BDT 4177.78 billion at the end of June 2023 and BDT 1523.44 billion at the end of July 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominated the market in terms of issued capital at the end of July 2023. This sector alone occupied around 77.48 percent of the capital followed by banks 9.17 percent, mutual funds 1.27 percent, financial institutions (FIs) 1.24 percent, insurance companies 0.70 percent and others 10.14 percent (Chart-5).



Source: Dhaka Stock Exchange

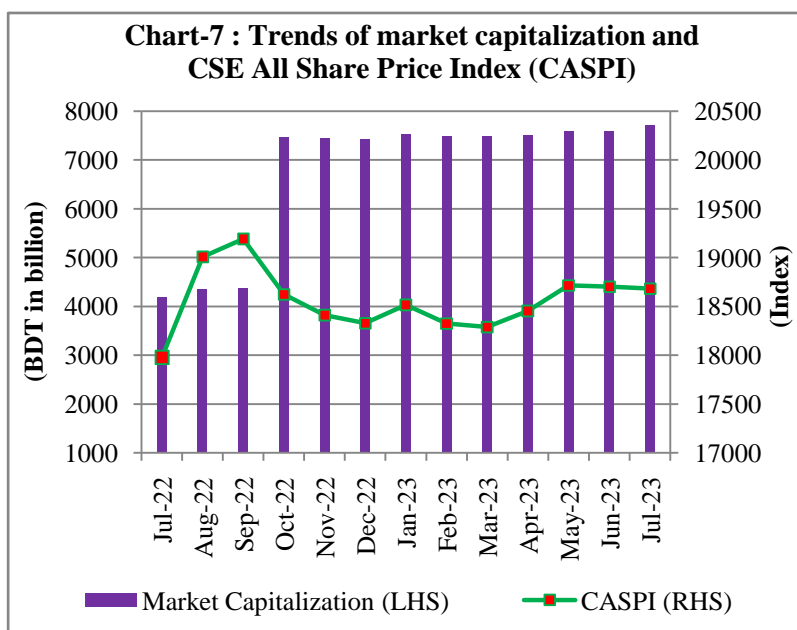
The total amount of market capitalization of DSE increased to BDT 7800.01 billion at the end of July 2023 from BDT 7702.32 billion at the end of June 2023 and BDT 5028.78 billion at the end of July 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) alone recorded as the highest contributor of market capitalization which was 41.50 percent followed by pharmaceuticals & chemicals 9.21 percent, banks 8.79 percent, telecommunication 7.44 percent, engineering 6.78 percent, fuel & power 5.74 percent, food & allied product 5.10 percent, financial institutions 2.40 percent, insurance companies 2.38 percent and others 10.66 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 616 at the end of July 2023. The total amount of issued capital increased to BDT 4301.76 billion at the end of July 2023 from BDT 4166.96 billion at the end of June 2023 and BDT 911.23 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 18683.43 at the end of July 2023 which was 0.10 percent lower than that of June 2023 but 3.93



Source: Chittagong Stock Exchange

percent higher than that of the same month of the previous year. CSE shariah index (CSI) decreased to 1171.83 at the end of July 2023 from 1176.32 in the previous month but increased as compared to 1132.58 at the corresponding month of the previous year. The market capitalization of the CSE stood at BDT 7717.18 billion at the end of July 2023 which was 1.84 percent higher than that of June 2023 and 84.30 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 at chart-7.

During the month of July 2023, value of total turnover of traded securities of CSE decreased to BDT 3.27 billion from BDT 13.80 billion during the previous month and BDT 3.61 billion during the same month of the previous year. Price-earnings (P/E) ratio of all securities of CSE stood at 14.08 at the end of July 2023 which was 14.16 at the end of June 2023. However, this ratio was 17.02 at the end of July 2022. The yield stood at 3.54 at the end of July 2023 which was 3.26 and 3.72 at the end of June 2023 and July 2022 respectively.

Recent Steps for Developing Capital Market

- Bangladesh Bank issued a circular on 24 May 2023 related to investments in listed and non-listed companies in the stock market. In case of investment in listed companies, provisions should be made for the difference between the purchase price and the latest market price for investment other than government securities such as listed shares, bonds, debentures, perpetual instruments and mutual funds or any listed fund. Separate provisions can be made for equity shares, bonds, debentures, perpetual instruments and mutual funds or any listed fund based on gains or loss netting off. For investment in non-listed companies, if the net worth of the invested company decreases, provisions should be made based on the proportionate decrease and if the company's operations are already ceased or discontinued, provisions should be made based on the proportionate in investment value. Provisions should be made for non-convertible cumulative preference shares at a rate of 25 percent of the

principal amount in the first year, and an additional 25 percent in the second year. If interest/dividends remain unpaid for three consecutive years, 100 percent provisions should be made. Similarly, for non-convertible bonds/debentures, provisions should be made at a rate of 25 percent in the first year and an additional 25 percent in the second year. If interest/coupon payments remain unpaid for three consecutive years, 100 percent provisions should be made. Additionally, provisions for open-end mutual funds should account for the difference between the average purchase price and surrender price of the units (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 notification on 4 July 2023 granting an exemption to Bangladesh Export Import Company Limited (BEXIMCO), the Originator of Beximco Green-Sukuk Al Istisna'a, from a condition for converting their investment into ordinary shares. The exemption allows BEXIMCO to proceed with the conversion without taking prior approval from the BSEC but requires the company to report the Commission immediately after the issuance of such ordinary shares (the detailed information is given on the web link: https://sec.gov.bd/slaws/Notification_04.07.2023.pdf).
- BSEC has issued a notification on 27 July 2023 allowing the Best Holdings Limited to raise its paid-up capital through an Initial Public Offer (IPO) subject to comply all relevant laws and conditions. As part of this approval, the Commission has stipulated that all shares issued prior to the IPO must be locked in for duration of three years from the date of their first trading on the stock exchange(s). Moreover, Best Holdings Limited is not permitted to issue any further shares from the date of their application until the completion of the share issuance under the IPO (the detailed information is given on the web link: https://sec.gov.bd/slaws/Notification_31.07.2023.pdf).