

Capital Market Development in Bangladesh¹



June, 2023

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Division-4
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Monthly Report on Capital Market Development: June 2023

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Highlights of Capital Market Development: June 2023

- ☛ *Total number of listed securities of DSE and CSE stood at 653 and 615 respectively at the end of June 2023.*
- ☛ *Broad index of DSE increased to 6344.09 at the end of June 2023 from 6339.74 at the end of May 2023 whereas all share price index of CSE decreased to 18702.20 at the end of June 2023 from 18714.52 at the end of May 2023.*
- ☛ *DSEX shariah index (DSES) remains unchanged at 1377.0 at the end of June 2023 whereas CSE shariah index (CSI) increased to 1176.32 at the end of June 2023 from 1175.39 at the end of May 2023.*
- ☛ *The market capitalization of DSE and CSE decreased to BDT 7702.32 billion and BDT 7577.86 billion at the end of June 2023 from BDT 7708.91 billion and BDT 7587.0 billion respectively at the end of May 2023.*
- ☛ *Total turnover value of traded securities of DSE decreased to BDT 146.80 billion during June 2023 from BDT 184.62 billion during May 2023 whereas total turnover value of traded securities of CSE increased to BDT 13.80 billion during June 2023 from BDT 3.23 billion during May 2023.*
- ☛ *The price-earning (P/E) ratio of DSE and CSE stood at 14.34 and 14.16 respectively at the end of June 2023 which were 14.50 and 14.27 respectively at the end of May 2023.*

Capital Market Development in Bangladesh

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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 June 2023, broad index of the DSE was 0.07 percent higher than that of the previous month whereas all share price index of the CSE was 0.07 percent lower than that of the previous month. During June 2023, total turnover value of traded securities of DSE was 20.49 percent lower than that of the previous month whereas total turnover value of traded securities of CSE was 327.24 percent higher than that of the previous month.

The status of some of the important indicators of DSE and CSE for the months from June 2022 to June 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				
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
Jun-22	625	364	1521.59	910.64	5177.82	4333.69	179.40	8.13	6376.94	1386.78	18727.51	1183.43	14.44	15.61	3.88	3.60

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)

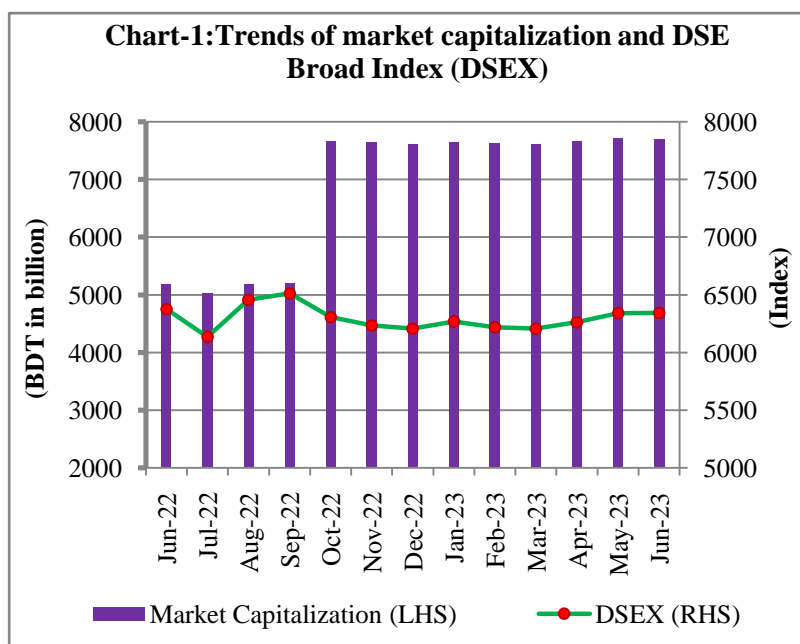
The total number of listed securities stood at 653 at the end of June 2023.

Among the listed securities, there were 356 companies, 36 mutual funds, 242 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 6344.09 at the end of June 2023 which was 0.07 percent higher than that of the previous month but 0.52 percent lower than that of the same month of the preceding year. The market capitalization of DSE stood at BDT 7702.32 billion at the end of June 2023

which was 0.09 percent lower than that of the previous month but 48.76 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) decreased to 17.35 percent at the end of June 2023 which was 17.37 percent at the end of May 2023 and 11.66 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

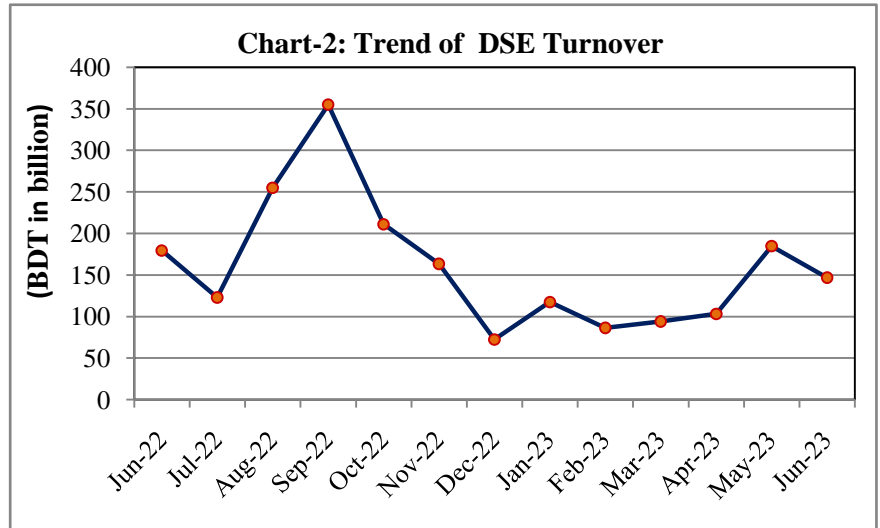
Table-2: Ratio of Market Capitalization to GDP⁵

End of Month	Ratio of Market Capitalization to GDP
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
June-2022	11.66

Source: Own calculation by the officials of RD, BB

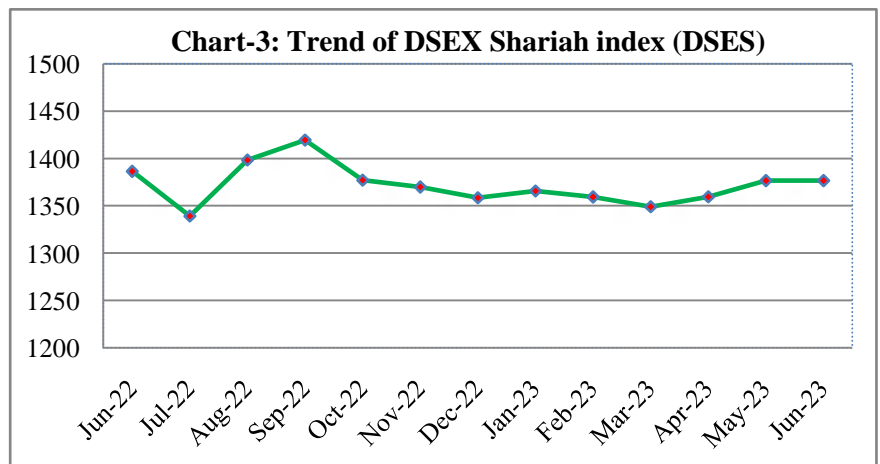
⁵The ratio of market capitalization to GDP is calculated as market capitalization divided by provisional GDP of FY23 at current market price multiplied by 100 [Example: (7702.32/44392.73) x 100 = 17.35 for June 2023]. It may be noted that the provisional GDP of FY23 has been taken from the recently published statement of BBS.

During June 2023, value of total turnover of the traded securities of DSE stood at BDT 146.80 billion which was 20.49 percent lower than that of May 2023 and 18.17 percent lower 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

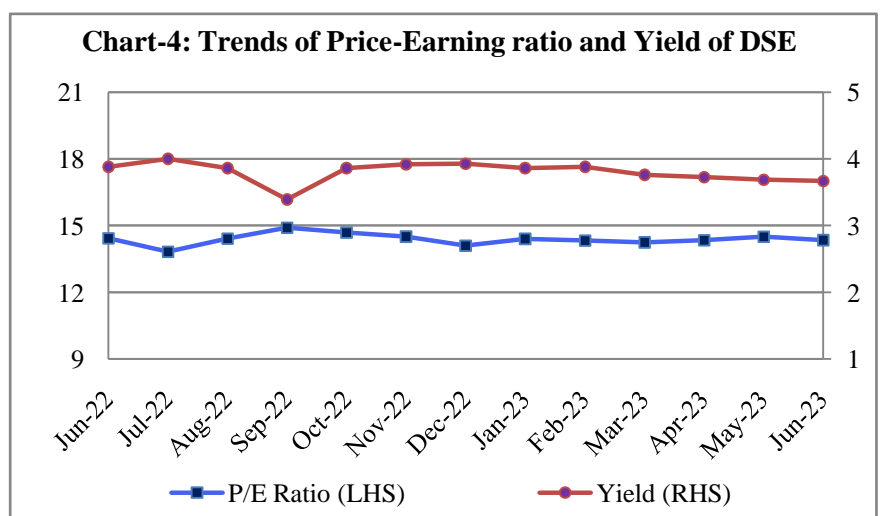
At the end of June 2023, DSEX shariah index (DSES) stood at 1377.0 which was the same as in May 2023 but 0.71 percent lower than that of the same month of the previous year. The trend of the DSEX shariah index (DSES) is shown in chart-3.



Source: Dhaka Stock Exchange

The price-earning (P/E) ratio of all securities of DSE stood at 14.34 at the end of June 2023 which was 14.50 at the end of May 2023. This ratio was 14.44 at the end of June 2022.

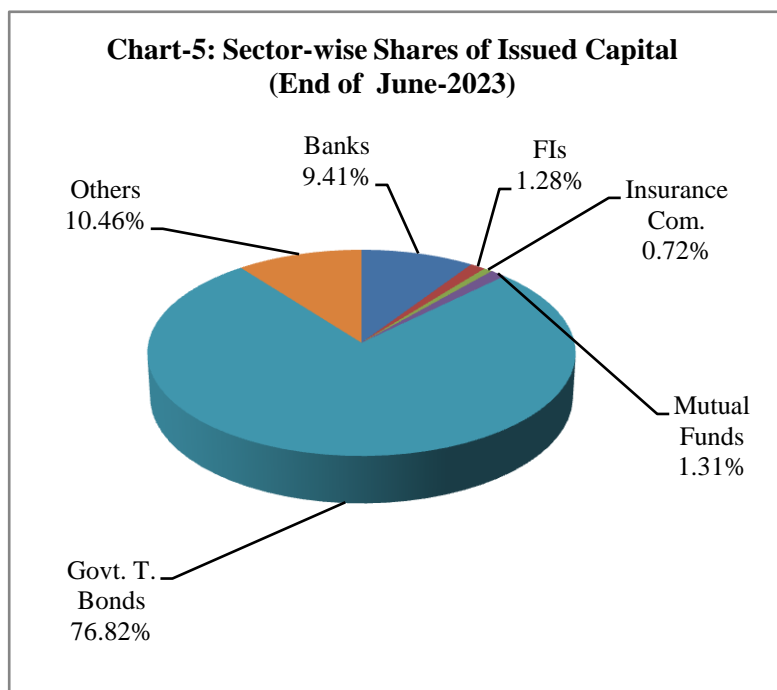
The yield of all securities of DSE stood at 3.67 at the end of June 2023 which was 3.69 at the end of May 2023 and 3.88 at the end of June 2022. Trends of price-earnings ratio and yield of DSE are shown in Chart-4.



Source: Dhaka Stock Exchange

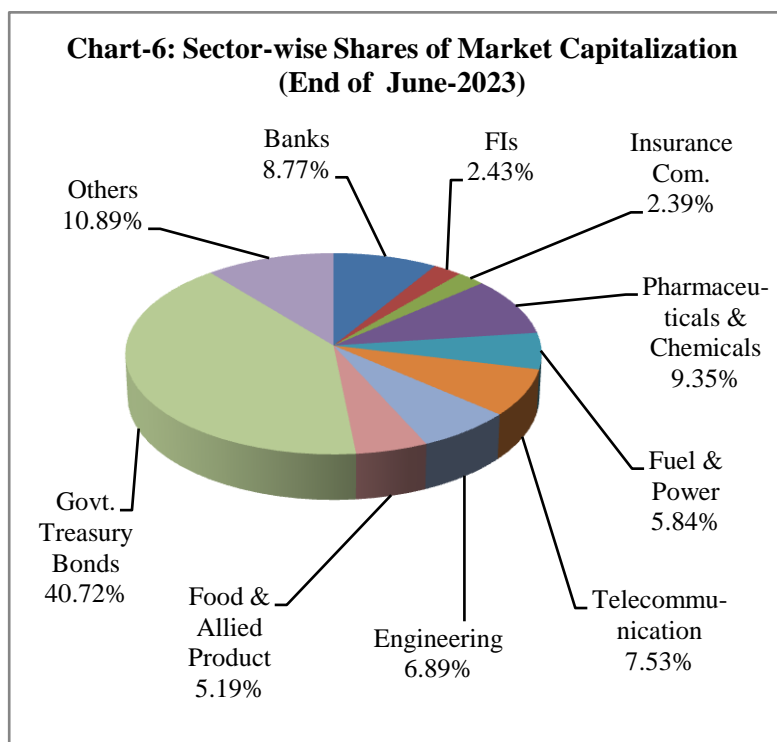
Sector-wise Issued Capital and Market Capitalization of DSE

The total amount of issued capital of DSE increased to BDT 4177.78 billion at the end of June 2023 from BDT 4166.78 billion at the end of May 2023 and BDT 1521.59 billion at the end of June 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominated the market in terms of issued capital at the end of June 2023. This sector alone issued around 76.82 percent of the capital followed by banks 9.41 percent, mutual funds 1.31 percent, financial institutions (FIs) 1.28 percent, insurance companies 0.72 percent and others 10.46 percent (Chart-5).



Source: Dhaka Stock Exchange

The total amount of market capitalization of DSE decreased to BDT 7702.32 billion at the end of June 2023 from BDT 7708.91 billion at the end of May 2023 and BDT 5177.82 billion at the end of June 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) alone recorded as the highest contributor of market capitalization which was 40.72 percent followed by pharmaceuticals & chemicals 9.35 percent, banks 8.77 percent, telecommunication 7.53 percent, engineering 6.89 percent, fuel & power 5.84 percent, food & allied product 5.19 percent, financial institutions 2.43 percent, insurance companies 2.39 percent and others 10.89 percent (Chart-6). It may be



Source: Dhaka Stock Exchange

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.

Chittagong Stock Exchange (CSE)

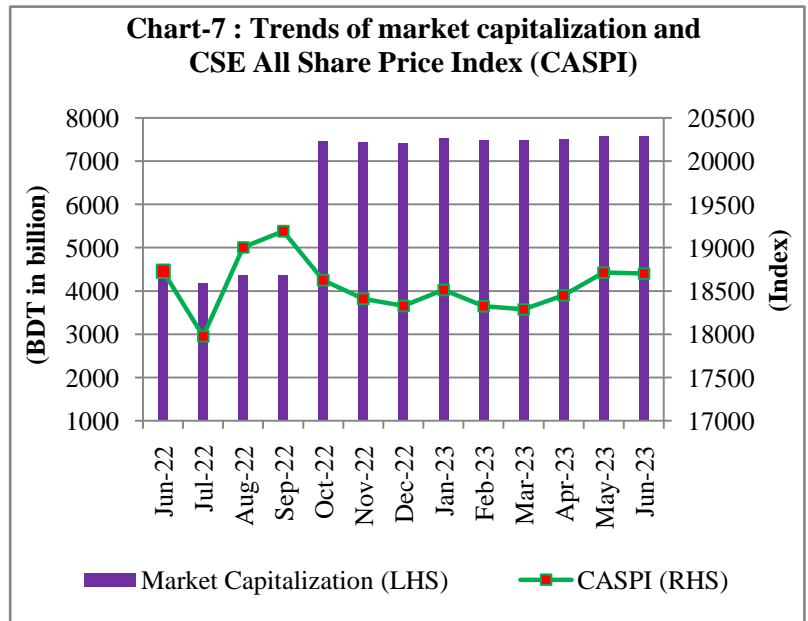
The total number of listed securities in the CSE stood at 615 at the end of June 2023. The total amount of issued capital increased to BDT 4166.96 billion at the end of June 2023 from BDT 4162.11 billion at the end of May 2023 and BDT 910.64 billion at the end of the same month of the previous year. 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 18702.20 at the end of June 2023 which was 0.07 percent lower than that of May 2023 and 0.14

percent lower than that of the same month of the previous year. CSE shariah index (CSI) increased to 1176.32 at the end of June 2023 from 1175.39 at the end of May 2023 whereas it decreased as compared to 1183.43 at the corresponding month of the previous year. The market capitalization of the CSE stood at BDT 7577.86 billion at the end of June 2023 which was 0.12 percent lower than that of May 2023 but 74.86 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 June 2023, value of total turnover of traded securities of CSE increased to BDT 13.80 billion from BDT 3.23 billion during the month of May 2023 and BDT 8.13 billion during the same month of the previous year. Price-earnings (P/E) ratio of all securities of CSE stood at 14.16 at the end of June 2023 which was 14.27 at the end of May 2023. However, this ratio was 15.61 at the end of June 2022. The yield stood at 3.26 at the end of June 2023 which was 3.48 and 3.60 at the end of May 2023 and June 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 been 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



Source: Chittagong Stock Exchange

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: <file:///D:/Capital%20Market/May-23/Circular/DOS%20Circular%20May,23.pdf>).

- BSEC has issued a directive on 22 June 2023 regarding the participation of the depository and other capital market intermediaries in the primary auction of Bangladesh Government Treasury Bond (BGTB) conducted by Bangladesh Bank. According to the directive, the stock exchange(s) shall publish the link of auction calendar and notice of BGTB, i.e. Government Securities (BGTB/G-Sec) as published by Bangladesh Bank at the home page of its official website on a regular basis. In order to participate in the primary auction process of BGTB, each stock broker shall maintain a separate bank account with Member Dealer (MD) bank for the purpose of collection of the intended bid/subscription amount from its customers and shall maintain a Business Partner Identification Number (BPID) with MD bank in the same of each stock broker for participation in primary auction on behalf of its customers. The interested customer may deposit or transfer his intended bid amount along with the applicable margin to separate bank account. Each broker shall open a separate BO account for the sole purpose of auction and settlement of BGTB on behalf of its customers. The stock broker's BPID related to the auction shall be linked to the BOID which will be used only for the purpose of the primary auction of BGTB. After completion of each primary auction, the transfer of fund shall be completed within two days of receiving BGTB through the primary auction to bank accounts of respective customers. Each stock broker shall submit a report to the stock exchange(s) regarding transfer of BGTB and fund respectively to the individual BOID and linked bank accounts of the customers after completion of settlement within T+3 days of each primary auction. (the detailed information is given on the web link: https://sec.gov.bd/slaws/Directive_22.06.2023.pdf)