

Capital Market Development in Bangladesh¹



May, 2023

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

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Highlights of Capital Market Development: May 2023

- ☛ *Total number of listed securities of DSE and CSE stood at 653 and 615 respectively at the end of May 2023.*
- ☛ *Broad index of DSE and all share price index of CSE increased to 6339.74 and 18714.52 at the end of May 2023 from 6262.69 and 18451.91 respectively at the end of April 2023.*
- ☛ *DSEX shariah index (DSES) and CSE shariah index (CSI) increased to 1377.0 and 1175.39 at the end of May 2023 from 1359.83 and 1161.04 respectively at the end of April 2023.*
- ☛ *The market capitalization of DSE and CSE increased to BDT 7708.91 billion and BDT 7587.0 billion at the end of May 2023 from BDT 7656.91 billion and BDT 7503.88 billion respectively at the end of April 2023.*
- ☛ *Total turnover value of traded securities of DSE and CSE increased to BDT 184.62 billion and BDT 3.23 billion during May 2023 from BDT 102.96 billion and BDT 1.37 billion respectively during April 2023.*
- ☛ *The price-earning (P/E) ratio of DSE and CSE stood at 14.50 and 14.27 respectively at the end of May 2023 which were 14.35 and 14.54 respectively at the end of April 2023.*

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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 May 2023, broad index of the DSE and all share price index of the CSE were 1.23 percent and 1.42 percent higher respectively than those of the previous month. During May 2023, total turnover value of traded securities of DSE and CSE were 79.31 percent and 135.77 percent higher than that of the previous month

The status of some of the important indicators of DSE and CSE for the months from May 2022 to May 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				
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
May-22	623	363	1514.01	907.65	5167.65	4310.83	144.65	4.59	6392.86	1403.53	18667.50	1186.20	14.45	18.21	3.85	3.44

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.

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

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

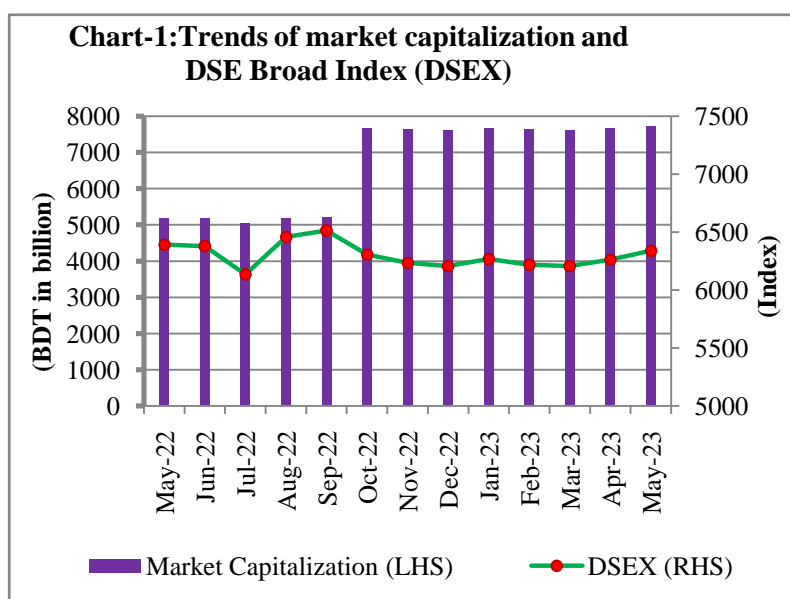
Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 653 at the end of May 2023. Among the listed securities, there were 356 companies, 36 mutual funds, 243 government bonds, 8 debentures, and 10 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 6339.74 at the end of May 2023 which was 1.23 percent higher than that of the previous month but 0.83 percent lower than that of the same month of the preceding year. The market capitalization of DSE stood at BDT

7708.91 billion at the end of May 2023 which was 0.68 percent higher than that of the previous month and 49.18 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 17.37 percent at the end of May 2023 which was 17.25 percent at the end of April 2023 and 11.64 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

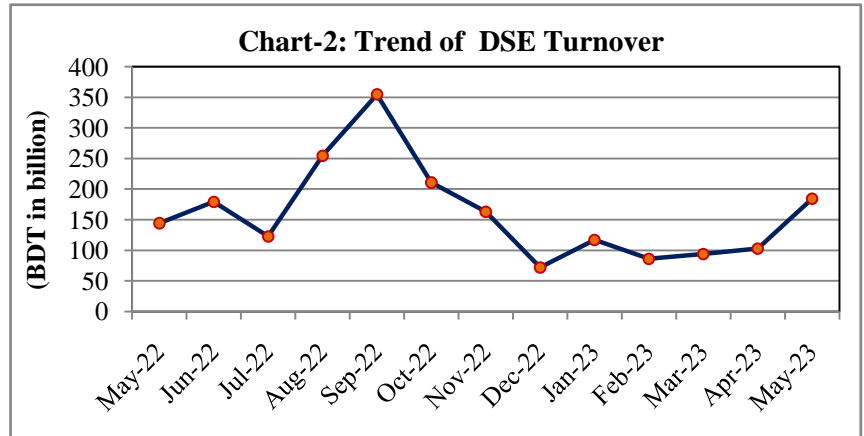
Table-2: Ratio of Market Capitalization to GDP⁵

End of Month	Ratio of Market Capitalization to GDP
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
May-2022	11.64

Source: Own calculation by the officials of RD, BB

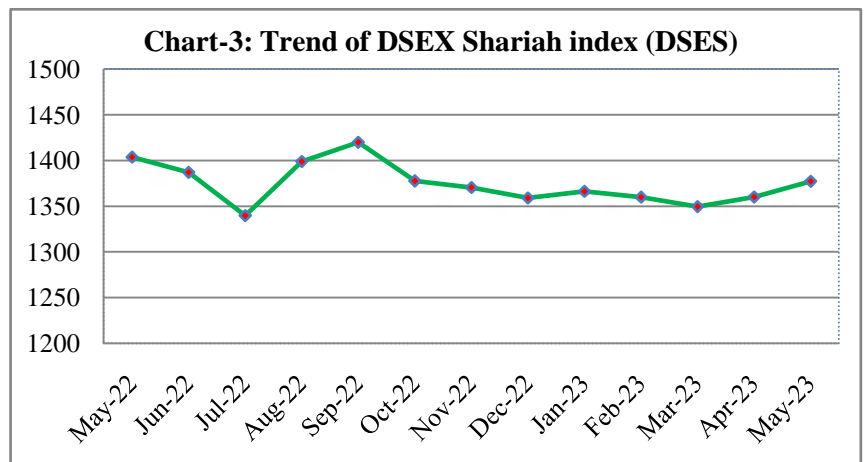
⁵The ratio of market capitalization to GDP is calculated as market capitalization divided by provisional GDP of FY23 at current market price multiplied by 100 [Example: (7708.91/44392.73) x 100 = 17.37 for May 2023]. It may be noted that the provisional GDP of FY23 has been taken from the recently published statement of BBS.

During May 2023, value of total turnover of the traded securities of DSE stood at BDT 184.62 billion which was 79.31 percent higher than that of April 2023 and 27.63 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

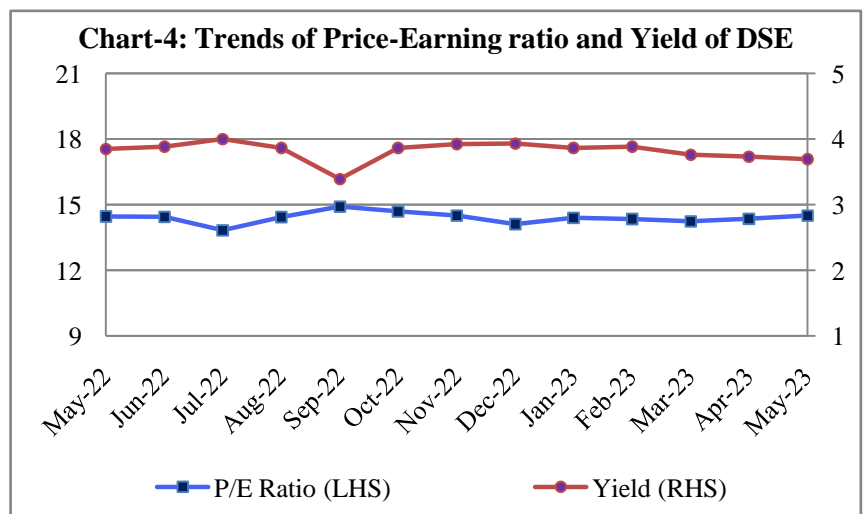
At the end of May 2023, DSEX shariah index (DSES) stood at 1377.0 which was 1.26 percent higher than that of April 2023 but 1.89 percent lower than that of the same month of the previous year. The trend of the DSEX shariah index (DSES) is shown in chart-3.



Source: Dhaka Stock Exchange

The price-earning (P/E) ratio of all securities of DSE stood at 14.50 at the end of May 2023 which was 14.35 at the end of April 2023. It may be mentioned that this ratio was 14.45 at the end of May 2022.

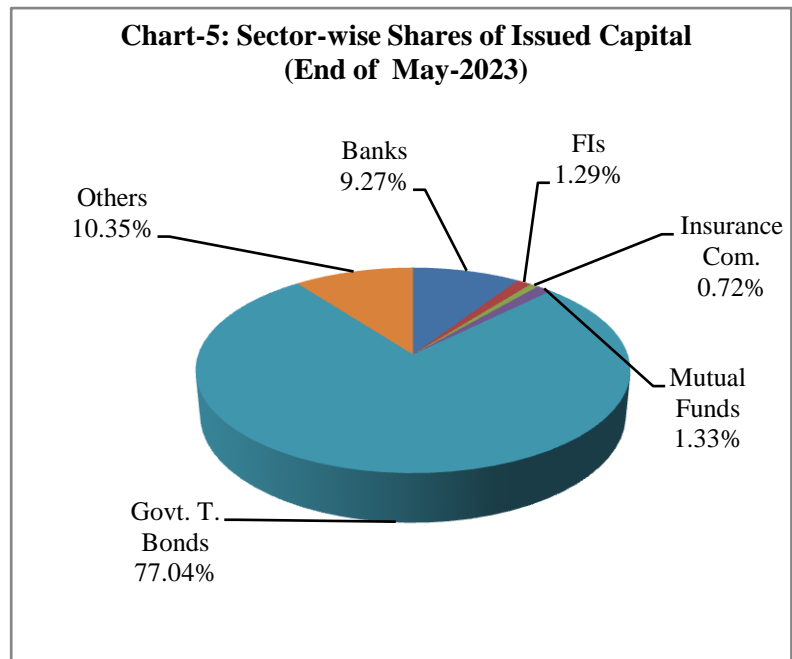
The yield of all securities of DSE stood at 3.69 at the end of May 2023 which was 3.73 at the end of April 2023 and 3.85 at the end of May 2022. Trends of price-earnings ratio and yield of DSE are shown in Chart-4.



Source: Dhaka Stock Exchange

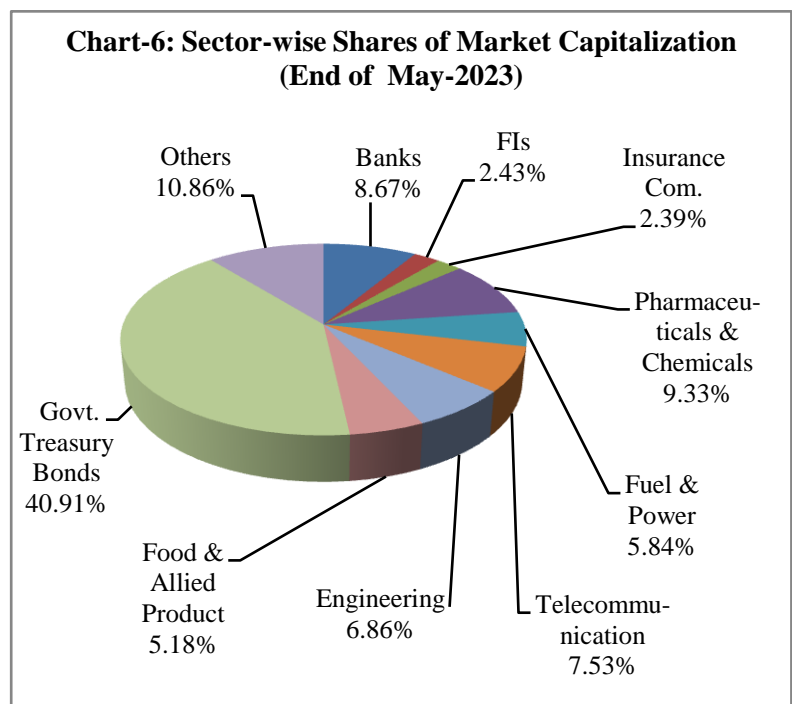
Sector-wise Issued Capital and Market Capitalization of DSE

The total amount of issued capital of DSE stood at BDT 4166.78 billion at the end of May 2023, which were BDT 4128.51 billion at the end of April 2023 and BDT 1514.01 billion at the end of May 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominated the market in terms of issued capital at the end of May 2023. This sector alone issued around 77.04 percent of the capital followed by banks 9.27 percent, mutual funds 1.33 percent, financial institutions (FIs) 1.29 percent, insurance companies 0.72 percent and others 10.35 percent (Chart-5).



Source: Dhaka Stock Exchange

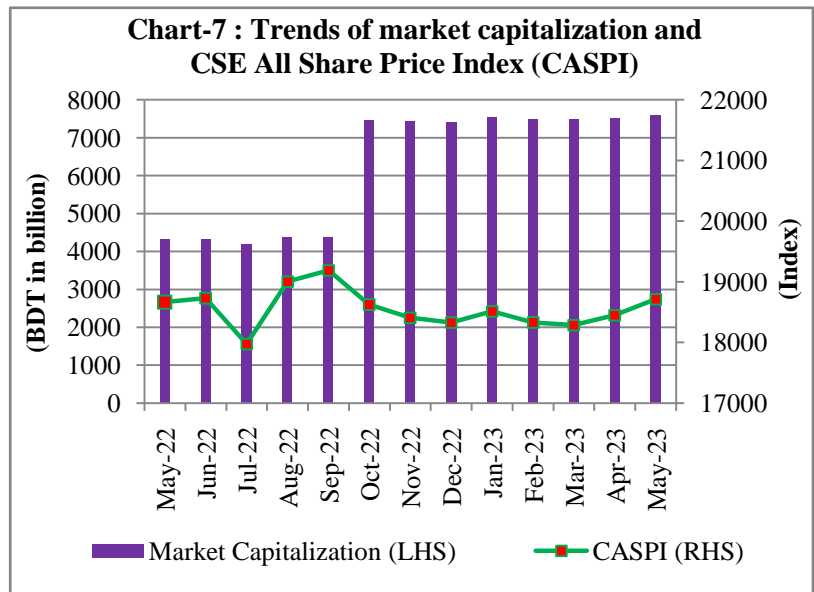
The total amount of market capitalization of DSE stood at BDT 7708.91 billion at the end of May 2023, which was BDT 7656.91 billion at the end of April 2023 and BDT 5167.65 billion at the end of May 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) alone recorded as the highest contributor of market capitalization which was 40.91 percent followed by pharmaceuticals & chemicals 9.33 percent, banks 8.67 percent, telecommunication 7.53 percent, engineering 6.86 percent, fuel & power 5.84 percent, food & allied product 5.18 percent, financial institutions 2.43 percent, insurance companies 2.39 percent and others 10.86 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 615 at the end of May 2023. The total amount of issued capital stood at BDT 4162.11 billion at the end of May 2023 which were BDT 4117.41 billion at the end of April 2023 and BDT 907.65 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 18714.52 at the end of May 2023 which was 1.42 percent



Source: Chittagong Stock Exchange

higher than that of April 2023 and 0.25 percent higher than that of the same month of the previous year. CSE shariah index (CSI) stood at 1175.39 at the end of May 2023 which was 1161.04 at the end of April 2023 and 1186.20 at the corresponding month of the previous year. The market capitalization of the CSE stood at BDT 7587.0 billion at the end of May 2023 which was 1.11 percent higher than that of April 2023 and 76.0 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 May 2023, value of total turnover of traded securities of CSE stood at BDT 3.23 billion which was BDT 1.37 billion during April 2023 and BDT 4.59 billion during the same month of the previous year. Price-earnings (P/E) ratio of all securities of CSE stood at 14.27 at the end of May 2023 which was 14.54 at the end of April 2023. However, this ratio was 18.21 at the end of May 2022. The yield stood at 3.48 at the end of May 2023 which was 3.50 and 3.44 at the end of April 2023 and May 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 net 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 have 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 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>).

- Bangladesh Securities and Exchange Commission (BSEC) has increased the credit facilities against good shares to promote the securities market and protect the interests of investors. Recently, BSEC has directed DSE and CSE to allow merchant bankers to provide margin loans or credit facilities to their clients for purchasing equity securities with a price-earnings ratio not exceeding 50, which remain at "A" category for at least three previous consecutive financial years having a current paid-up capital not less than BDT 300 million. This directive replaces the previous prohibition of margin loans or credit facilities for securities with a paid-up capital not less than BDT 500 million (the detailed information is given on the web link: <https://sec.gov.bd/slaws/Directive18.04.2023.pdf>).
- BSEC has recently updated the "Securities Market Shari'ah Advisory Council (SAC) Rules, 2022" to ensure the proper issuance of Islamic shari'ah-based securities (ISBS) and protect investors' interests in the Islamic capital market (ICM) of Bangladesh. According to the rules, the BSEC can constitute a SAC consisting of nine members. The SAC members will be appointed by the BSEC, serve a maximum of two consecutive three-year terms, and receive defined terms of reference and honorarium. Following the rules, The BSEC has formed a SAC on 28th May 2023 aiming to develop the Islamic capital market in Bangladesh (the detailed information is given on the web link: https://sec.gov.bd/slaws/Notification_07.05.2023.pdf and https://sec.gov.bd/slaws/Order_29.05.2023.pdf).