

Capital Market Development in Bangladesh¹



October, 2023

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

¹Comments on any aspect of this report are highly welcomed and can be sent to the e-mail address: shamim.mondal@bb.org.bd, rupok.chad@bb.org.bd and nurnabi.miah@bb.org.bd

Monthly Report on Capital Market Development: October 2023

Preparation Team

Chief Editor

Md. Julhas Uddin
Executive Director (Research)

Editor

Mohammad Masuduzzaman
Director (Research)

Team Members

Md. Sanaullah Talukder, Additional Director (Research)
Md. Shamim Mondal, Joint Director (Research)
Rupok Chad Das, Deputy Director (Research)
Md. Nurnabi Miah, Assistant Director (Research)

Key Highlights of Capital Market Development: October 2023

- ☞ *Total number of listed securities of DSE and CSE stood at 653 and 615 respectively at the end of October 2023.*
- ☞ *Broad index of DSE decreased to 6278.66 at the end of October 2023 from 6284.63 at the end of September 2023 whereas all share price index of CSE increased to 18589.41 at the end of October 2023 from 18580.58 at the end of September 2023 respectively.*
- ☞ *DSEX shariah index (DSES) and CSE shariah index (CSI) increased to 1362.73 and 1170.46 at the end of October 2023 from 1359.60 and 1167.70 at the end of September 2023 respectively.*
- ☞ *The market capitalization of DSE and CSE increased to BDT 7842.67 billion and BDT 7783.74 billion at the end of October 2023 from BDT 7766.36 billion and BDT 7718.92 billion respectively at the end of September 2023.*
- ☞ *Total turnover value of traded securities of DSE decreased to BDT 100.69 billion during October 2023 from BDT 113.06 billion during September 2023 whereas total turnover value of traded securities of CSE increased to BDT 14.44 billion during October 2023 from BDT 7.91 billion during September 2023.*
- ☞ *The price-earning (P/E) ratio of DSE and CSE stood at 14.52 and 14.35 at the end of October 2023 which were 14.35 and 18.74 respectively at the end of September 2023.*

Capital Market Development in Bangladesh October, 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 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 October 2023, broad index of the DSE was 0.10 percent lower than that of the previous month whereas all share price index of the CSE was 0.05 percent higher than that of the previous month. During October 2023, total turnover value of traded securities of DSE was 10.94 percent lower than that of the previous month but the total turnover value of traded securities of CSE was 82.55 percent higher than that of the previous month.

The status of some of the important indicators of DSE and CSE for the months from October 2022 to onwards 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				
Oct-23	653	615	4354.57	4376.54	7842.67	7783.74	100.69	14.44	6278.66	1362.73	18589.41	1170.46	14.52	14.35	3.69	3.76
Sep-23	652	614	4292.12	4313.77	7766.36	7718.92	113.06	7.91	6284.63	1359.60	18580.58	1167.70	14.35	18.74	3.64	3.55
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	618	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

Note: BDT= Bangladeshi Currency (Taka)

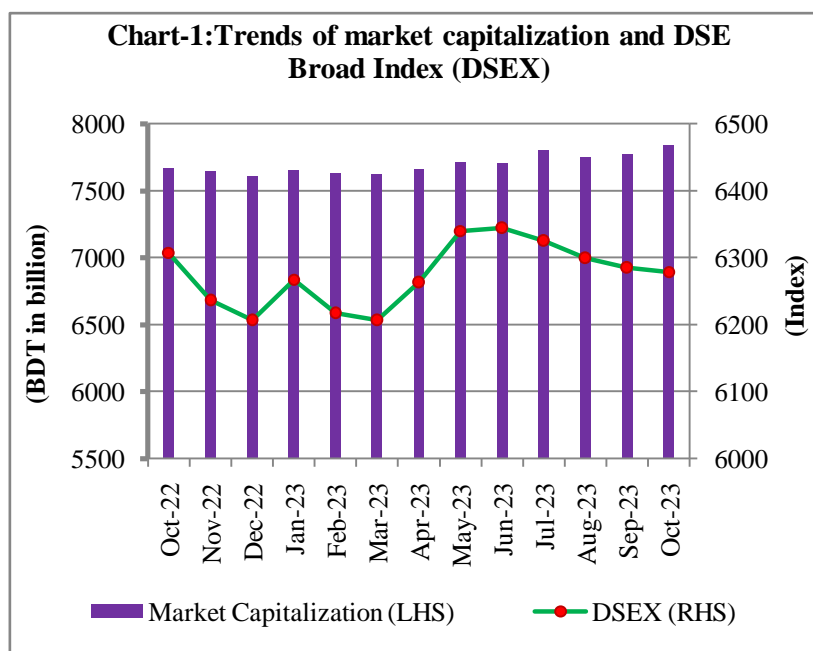
²Total market capitalization of DSE includes companies, mutual funds, corporate bonds, govt. treasury bonds and debentures whereas total market capitalization of CSE does not include debentures.

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

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

Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 653 at the end of October 2023. Among the listed securities, there were 355 companies, 37 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 240 other companies. DSE broad index (DSEX) stood at 6278.66 at the end of October 2023 which was 0.10 percent and 0.45 percent lower respectively than that of the previous month and the same month of the preceding year. The market



Source: Dhaka Stock Exchange

capitalization of DSE stood at BDT 7842.67 billion at the end of October 2023 which was 0.98 percent and 2.26 percent higher respectively than that of the previous month and 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 prices) increased to 17.67 percent at the end of October 2023 which was 17.49 percent at the end of September 2023 and 17.28 percent at the end of the corresponding month of the previous year (Table-2).

Table-2: Ratio of Market Capitalization to GDP⁵

End of Period	Ratio of Market Capitalization to GDP
October-2023	17.67
September-2023	17.49
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

Source: Own calculation by the officials of RD, BB

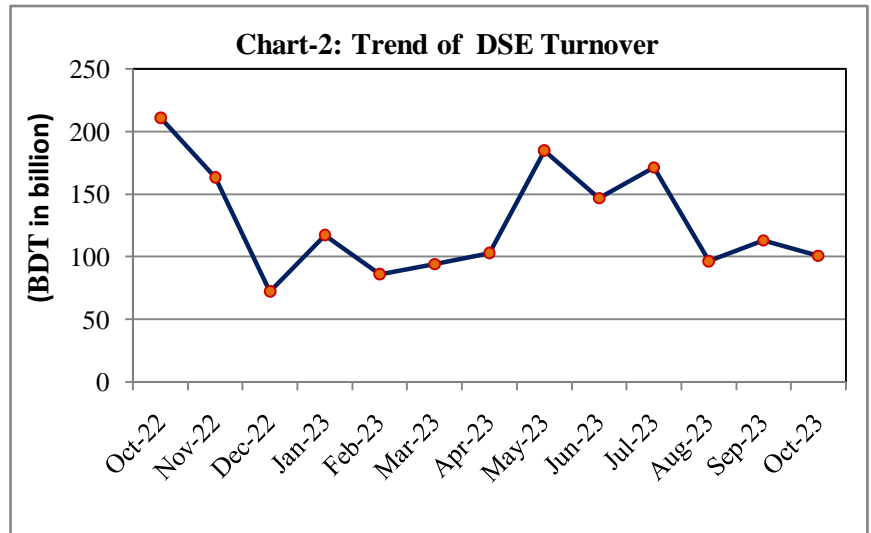
⁵The ratio of market capitalization to GDP is calculated as market capitalization divided by provisional GDP of FY23 at current market prices multiplied by 100 [Example: $(7842.67/44392.73) \times 100 = 17.67$ for October 2023]. It may be noted that the provisional GDP of FY23 has been taken from National Accounts Statistics published recently by BBS.

During October 2023, value of total turnover of the traded securities of DSE stood at BDT 100.69 billion which was 10.94 percent and 52.26 percent lower respectively than that of the previous month and the same month of the previous year. The trend of total turnover in the DSE is shown in Chart-2.

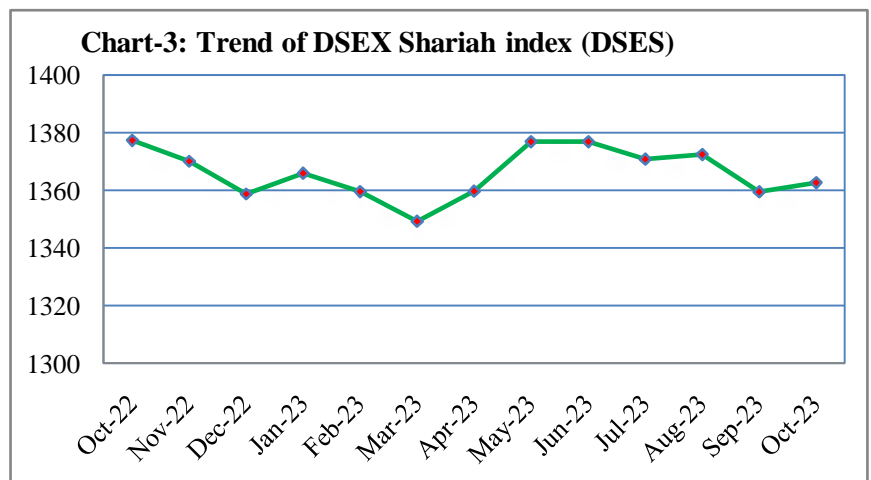
At the end of October 2023, DSEX shariah index (DSES) stood at 1362.73 which was 0.23 percent higher than that of the previous month but 1.07 percent lower than that of the same month of the previous year. The trend of the DSEX shariah index (DSES) is shown in Chart-3.

The price-earning (P/E) ratio of all securities of DSE stood at 14.52 at the end of October 2023 which was 14.35 at the end of September 2023 and 14.69 at the end of October 2022.

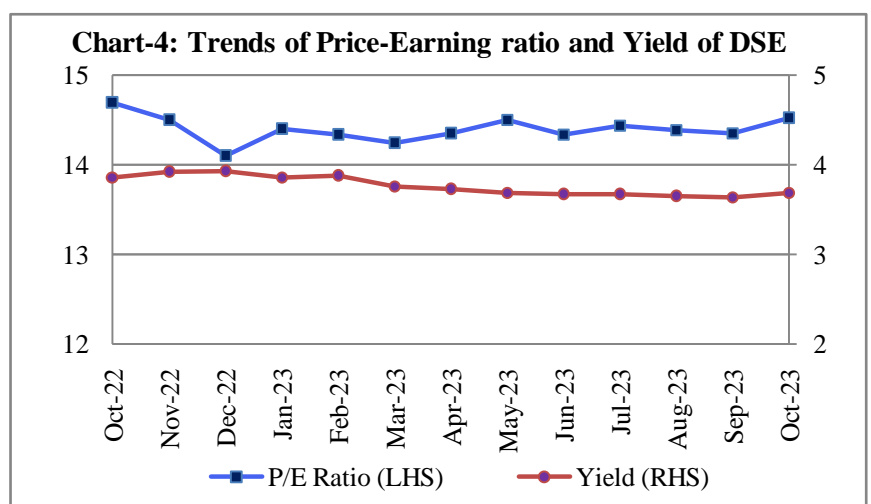
The yield of all securities of DSE stood at 3.69 at the end of October 2023 which was 3.64 at the end of September 2023 and 3.86 at the end of October 2022. Trends of price-earnings ratio and yield of DSE are shown in Chart-4.



Source: Dhaka Stock Exchange



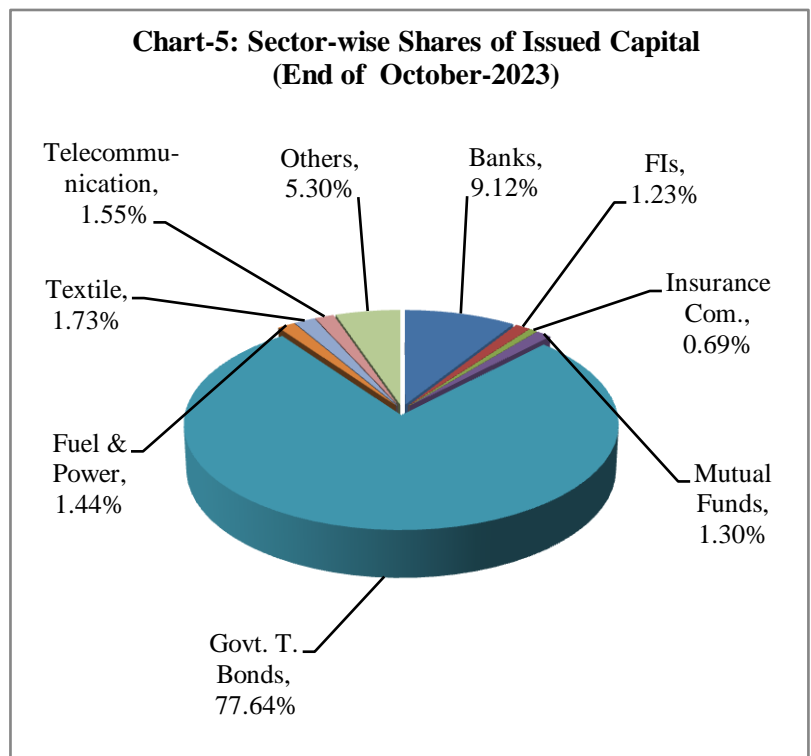
Source: Dhaka Stock Exchange



Source: Dhaka Stock Exchange

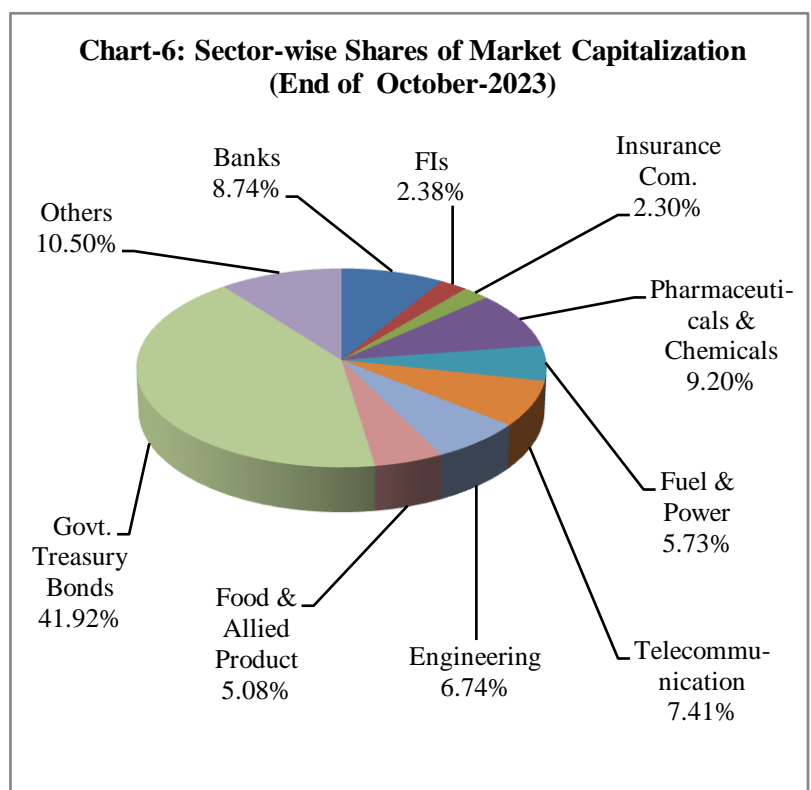
Sector-wise Issued Capital and Market Capitalization of DSE

The total amount of issued capital of DSE increased to BDT 4354.57 billion at the end of October 2023 from BDT 4292.12 billion at the end of September 2023 and BDT 4093.52 billion at the end of October 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominated the market as usual in terms of issued capital at the end of October 2023 which alone occupied around 77.64 percent of the issued capital. Of the remaining sectors: 9.12 percent was issued by banks, 1.73 percent by textile, 1.55 percent by telecommunication, 1.44 percent by fuel & power, 1.30 percent by mutual funds, 1.23 percent by financial institutions (FIs), 0.69 percent by insurance companies and 5.30 percent by others (Chart-5).



Source: Dhaka Stock Exchange

The total amount of market capitalization of DSE increased to BDT 7842.67 billion at the end of October 2023 from BDT 7766.36 billion at the end of September 2023 and BDT 7669.18 billion at the end of October 2022. Among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) alone recorded as the highest contributor (41.92 percent) of market capitalization followed by pharmaceuticals & chemicals 9.20 percent, banks 8.74 percent, telecommunication 7.41 percent, engineering 6.74 percent, fuel & power 5.73 percent, food & allied product 5.08 percent, financial institutions 2.38 percent, insurance companies 2.30 percent and others 10.50 percent (Chart-6). It may be mentioned that

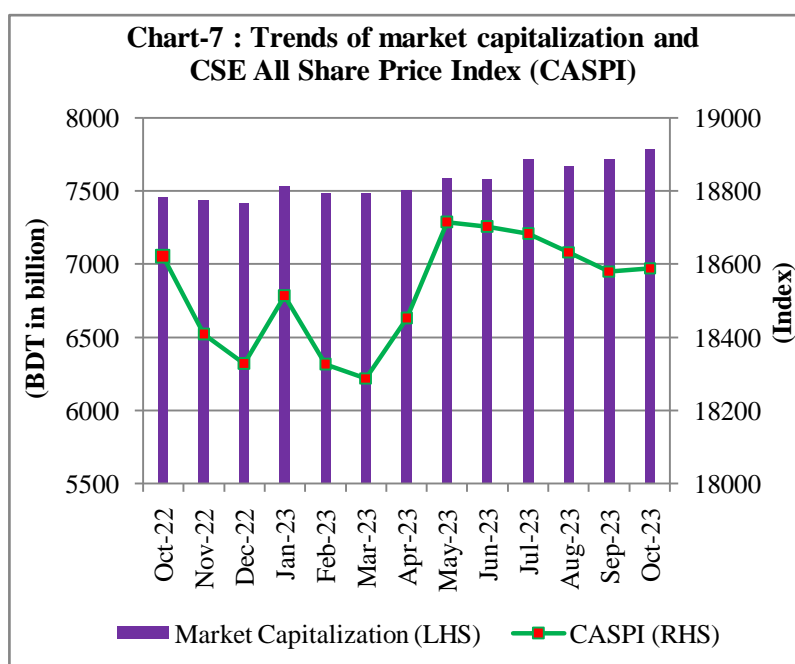


Source: Dhaka Stock Exchange

debentures are not included in the sector-wise market capitalization of all listed securities because these products are not currently being traded in the market.

Chittagong Stock Exchange (CSE)

The total number of listed securities in the CSE stood at 615 at the end of October 2023. The total amount of issued capital increased to BDT 4376.54 billion at the end of October 2023 from BDT 4313.77 billion at the end of September 2023 and BDT 4086.25 billion at the end of the same month of the previous year. All share price index of CSE (CASPI) stood at 18589.41 at the end of October 2023 which was 0.05 percent higher than that of September 2023 but 0.18 percent lower than that of the same month of the previous year. CSE shariah index (CSI) increased to 1170.46 at the end of October 2023



Source: Chittagong Stock Exchange

from 1167.70 at the end of the previous month and decreased as compared to 1186.57 at the end of the corresponding month of the previous year. The market capitalization of the CSE stood at BDT 7783.74 billion at the end of October 2023 which was 0.84 percent and 4.34 percent higher than that of September 2023 and the same month of the previous year respectively. The trends of market capitalization and all share price index of the CSE are shown in Chart-7.

During the month of October 2023, value of total turnover of traded securities of CSE significantly increased to BDT 14.44 billion from BDT 7.91 billion during September 2023 and BDT 4.91 billion during the same month of the previous year. Price-earnings (P/E) ratio of all securities of CSE stood at 14.35 at the end of October 2023 which was 18.74 at the end of September 2023 and 15.99 at the end of October 2022. The yield was at 3.76 at the end of October 2023 which was 3.55 at the end of September 2023 and 3.56 at the end of October 2022.

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 basis. However, an amendment on 13 August 2023 has been brought in this regard where bonds, debentures, and Shariah-based instruments are excluded from banks' prescribed investment limits. Moreover, the formats for capital market investment disclosures have been updated in accordance with both solo and consolidated basis (the detailed information can be seen from the web link: <https://www.bb.org.bd/en/index.php/mediaroom/circular>).
- The Bangladesh Securities and Exchange Commission (BSEC) issued an order on 18 October 2023 clarifying the roles and responsibilities of independent directors for the listed securities or companies.

According to the order, independent directors are obligated to act for the good governance, sustainability and the overall welfare of the company within their limit or scope as prescribed by the BSEC or any other relevant regulator. Independent directors are exempted from providing any guarantee for the purpose of the company's loan or any other liabilities. In addition, independent directors are prohibited from signing or executing any mortgage or security or charge document for the purpose of the company's loan, any other liabilities or obligations unless he holds such position where it is compulsory to give signature by virtue of his designation. In the context of the Credit Information Bureau (CIB) of Bangladesh Bank, independent directors are not to be reported as obligors for the company's loans or liabilities. However, they must be reported to the CIB for their personal loans and debt obligations. Additionally, independent directors cannot be implicated along with other directors of the company in any criminal or civil suits brought against the company unless it is proven that such an independent director bears personal liability beyond his role. The provision of section 30 of the Securities and Exchange Ordinance, 1969 may be applicable for an independent director which implies that no legal action can be taken against the Commission, its officers, or specially appointed authorities for actions carried out in good faith under the Ordinance or related rules and orders (the detailed information is given on the web link: https://sec.gov.bd/slaws/Order-67_18.10.2023.pdf).