

Capital Market Development in Bangladesh*

January, 2020



Research Department Bangladesh Bank

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Capital market in Bangladesh consists of two full-fledged automated stock exchanges- the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Bangladesh Securities and Exchange Commission (BSEC), as the watchdog regulates the stock exchanges of the country. The analysis on capital market development gives some insights to understand overall activities of capital market in Bangladesh. *At the end of January 2020, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited upward trend in terms of index compared to the end of December 2019. Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited upward trend in terms of turnover during January 2020 compared to the previous month.* Broad index of DSE and all share price index of CSE stood at 4469.66 points and 13586.40 points respectively at the end of January 2020.

Table : Monthly Important Indicators of DSE and CSE

(BDT in billions)

End Month	Enlisted issues (Incl.Mutual Funds/Deb.)		Issued capital and Debentures (Billion Taka)		Market Capitalization (Billion Taka)		Turnover during the month (Billion Taka)		Indices		Price/Earning Ratio		Yield	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE Broad Index (DSEX)	CSE All Share Price Index (CASPI)	DSE	CSE	DSE	CSE
Jan-19	579	321	1245.53	681.33	4163.60	3450.04	223.48	10.22	5821.01	17890.92	16.38	16.78	3.33	3.00
Feb-19	580	322	1246.35	682.14	4150.74	3432.01	137.79	4.82	5711.83	17473.48	16.19	18.09	3.34	3.04
Mar-19	581	323	1247.55	683.98	4119.65	3402.77	93.92	3.48	5491.91	16803.16	16.14	17.21	3.35	3.07
Apr-19	582	324	1255.92	692.83	3839.85	3123.36	69.82	4.63	5202.85	15912.87	14.00	14.18	4.24	3.44
May-19	584	325	1261.49	702.83	3941.64	3227.77	77.16	4.55	5377.75	16375.76	13.97	20.59	4.18	3.23
Jun-19	584	326	1268.57	712.89	3998.16	3293.30	76.50	8.92	5421.62	16634.21	14.25	19.04	4.02	3.17
Jul-19	585	327	1272.07	714.28	3834.78	3131.69	89.47	4.79	5138.79	15725.46	13.46	15.15	4.28	3.44
Aug-19	586	328	1277.42	714.29	3808.46	3094.94	73.98	4.80	5095.78	15580.60	13.59	13.92	4.29	3.50
Sep-19	586	328	1279.17	715.43	3738.54	3019.73	84.95	5.47	4947.64	15046.73	13.36	14.89	4.34	3.29
Oct-19	586	328	1279.45	716.79	3559.38	2844.96	70.20	4.19	4682.90	14221.78	12.61	16.45	4.72	3.88
Nov-19	586	328	1280.03	722.63	3567.04	2858.60	74.11	5.17	4731.44	14392.43	12.26	16.53	4.79	4.09
Dec-19	587	329	1294.81	730.18	3395.51	2888.88	67.03	3.96	4452.93	13505.70	11.80	16.27	5.03	4.40
Jan-20	589	331	1297.42	732.66	3408.93	2698.45	80.72	4.10	4469.66	13586.40	11.74	11.65	4.99	4.33

Source: Dhaka Stock Exchange (DSE) & Chittagong Stock Exchange (CSE)

Note: BDT= Bangladeshi Currency (Taka)

GDP (FY19) at current market price = BDT 25424.83 billion.

Dhaka Stock Exchange (DSE)

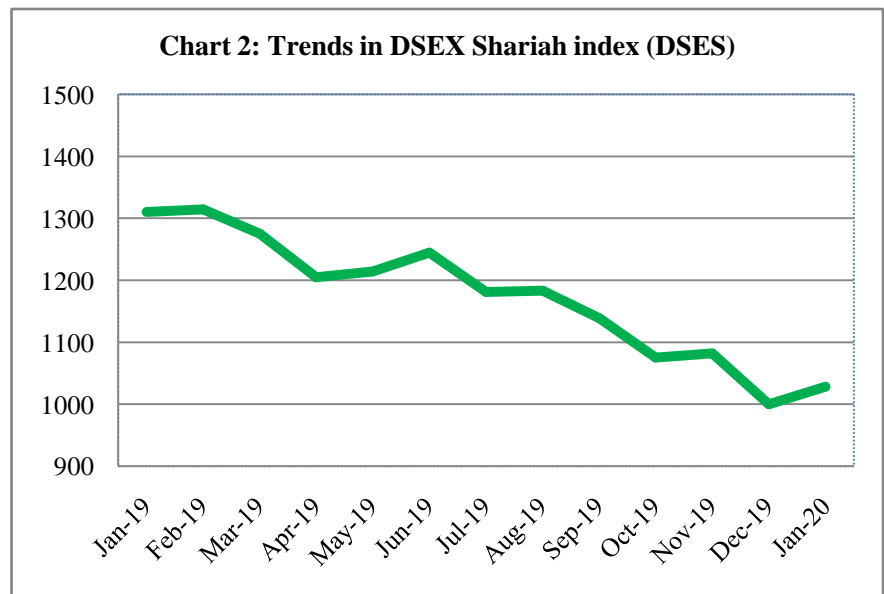
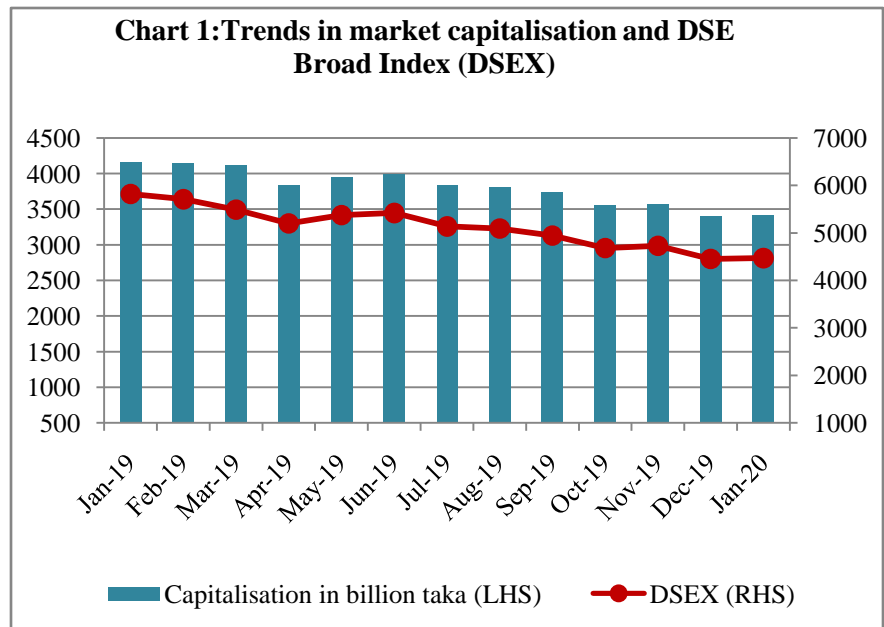
The total number of listed securities stood at 589 at the end of January 2020. Among listed companies, there were 321 companies, 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 221 other companies.

Total turnover value of traded shares was BDT 80.72 billion during January 2020 which was 20.43 percent higher than that of the preceding month and 63.88 percent lower than that of the same month of the last year respectively (Table).

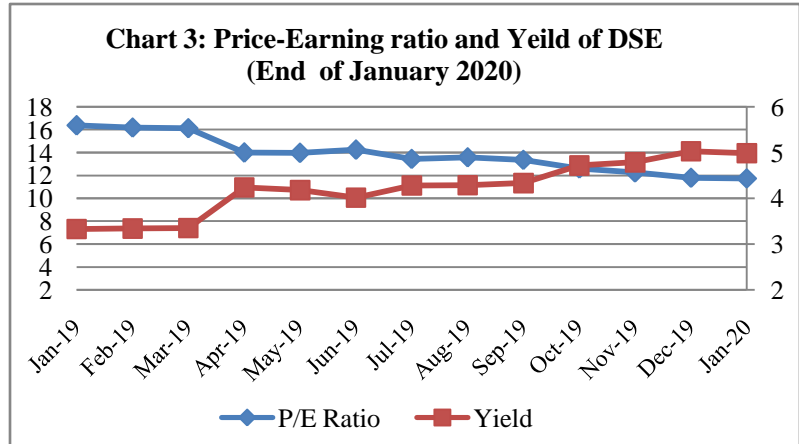
DSE Broad Index (DSEX) stood at 4469.66 points at the end of January 2020, which was 0.38 percent higher than 4452.93 points at the end of December 2019 and 23.22 percent lower than 5821.01 points at the end of January 2019 (Chart-1).

The market capitalization of DSE stood at BDT 3408.93 billion at the end of January 2020 which was 0.40 percent higher than BDT 3395.51 billion at the end of December 2019 as well as 18.13 percent lower than BDT 4163.60 billion at the end of January 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 13.41 percent at the end of January 2020 which was 13.36 percent at the end of December 2019.

Sharia'h Compliant index named DSES went up to 1028.29 points at the end of January 2020 which was 999.83 points at the end of December 2019 and 1310.60 points at the end of January 2019 (Chart 2).



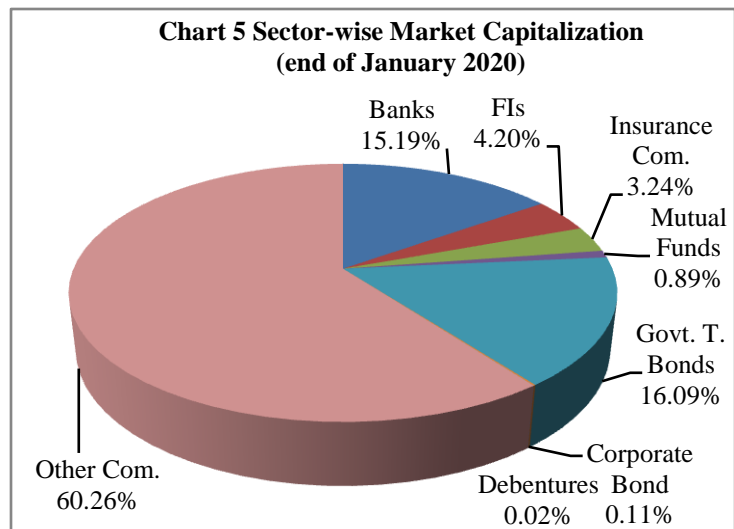
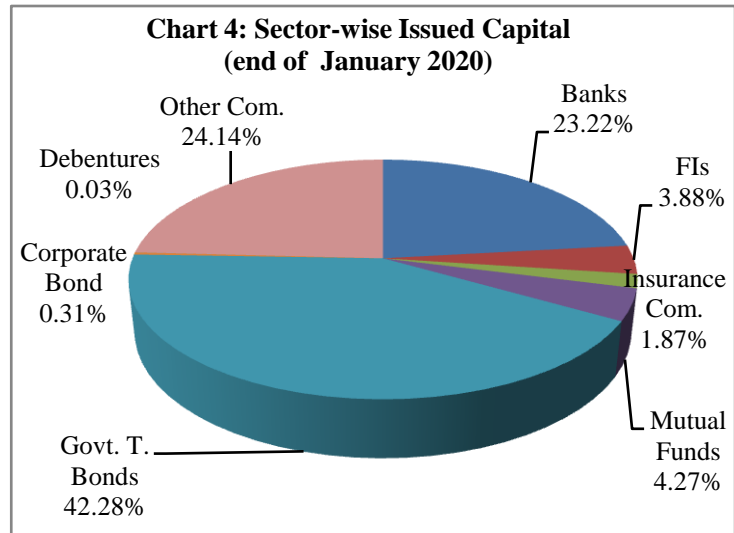
The price-earning (P/E) ratio decreased to 11.74 at the end of January 2020 which was 11.80 at the end of the December 2019. The ratio was 16.38 at the end of the January 2019. In the same way, the yield of all share decreased to 4.99 at the end of January 2020 which was 5.03 at the end of December 2019 and 3.33 at the end of January 2019.



Trends of price-earnings ratio and yield are shown in the Chart 3.

Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital increased to BDT 1297.42 billion at the end of January 2020 which was BDT 1294.81 billion and BDT 1245.53 billion at the end of December 2019 and January 2019 respectively. At the end of January 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 42.28 percent of the capital followed by other companies (24.14 percent) and banking sector (23.22 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.27 percent, 3.88 percent, 1.87 percent 0.31 percent and 0.03 percent respectively (Chart 4).



The contribution of Banks to the total market capitalization was 15.19 percent but Bangladesh Govt. Treasury Bonds (BGTBs) recorded as the highest contributor (16.09%) in market capitalization followed by Financial Institutions (FIs) (4.20%), Insurance Companies (3.24%), Mutual Fund (0.89%), Corporate

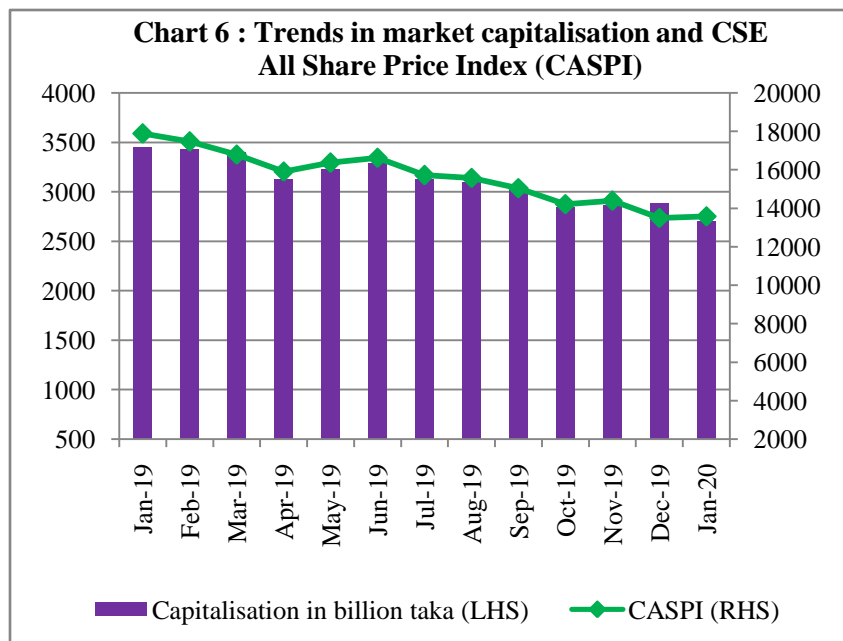
Bonds (0.11%) and Debentures (0.02%). At the end of January 2020, the contribution of other listed companies (manufacturing, service and others) captured the highest portion (60.26 percent) among all listed securities in DSE (chart 5).

Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 331 at the end of January 2020. Total turnover value of traded shares was BDT 4.10 billion during January 2020 which was 3.54 percent higher than that of the preceding month as well as 59.90 percent lower than that of the same month of the previous year. The market capitalization of CSE stood at BDT 2698.45 billion at the end of January 2020 which was 6.59 percent lower than that of the end of December 2019 and 21.79 percent lower than that of the end of January 2019.

All Share Price Index of CSE stood at 13586.40 points at the end of January 2020, which was 0.60 percent higher than 13505.70 points at the end of December 2019 and 24.06 percent lower than 17890.92 points at the end of January 2019 respectively (Chart-6).

The Shariah Compliant index 'CSES' went up to 882.72 points at the end of January 2020 which was 859.03 points at the end of December 2019 and 1162.04 points at the end of January 2019.



The total amount of issued capital rose to BDT 732.66 billion at the end of January 2020 which was BDT 730.18 billion and BDT 681.33 billion at the end of December 2019 and January 2019 respectively. Price Earnings (P/E) ratio in CSE decreased to 11.65 at the end of January 2020 which was 16.27 at the end of December 2019. The ratio was 16.78 at the end of January 2019. In Chittagong Stock Exchange, the yield slightly decreased to 4.33 at the end of January 2020 which was 4.40 at the end of December 2019 and 3.00 at the end of January 2019.

Conclusion

Mobilization of funds keep the wheel of an economy running ahead and work as a financial trigger for smoothing the take-off conditions towards a sustainable economy. A strong capital market plays that catalytic role in economic development through channeling long term funds from savers to entrepreneurs. To make this development inclusive and sustainable, a well managed and vibrant capital market has enormous importance for a country like Bangladesh. At

the end of January 2020, both DSE Broad Index (DSEX) and all Share Price Index of CSE were higher compared to the end of December 2019.

Historically, in our country, banks have been playing major role of financing long term capital intensive projects that should have been financed through capital market. This demand can be met through issuance of a variety of financial instruments like bonds, debentures and derivative instruments. To upgrade the status of the country from lower middle income to higher middle income, capital market needs to play an active role to attract funds both from home and abroad.

The regulatory body of capital market, Bangladesh Securities and Exchange Commission (BSEC) may undertake some necessary pragmatic steps with appropriate regulatory support to create eagerness of the fund owners to make investments in capital markets. To this end, BSEC may ensure good corporate governance, motivate good companies for floating shares/bonds and sukuk providing with more attractive incentives.