

Capital Market Development in Bangladesh*

November, 2020



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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 November 2020, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited upward trend in terms of both index and turnover compared to the end of October 2020. Total turnover value of traded shares of DSE and CSE were BDT 174.07 billion and BDT 5.80 billion respectively at the end of November 2020 which were 2.16 percent and 7.20 percent higher respectively than that of the October 2020. Broad index of DSE and all share price index of CSE stood higher at 4866.84 points and 13991.43 points respectively at the end of November 2020 than that of October 2020.*

Table : Monthly Trends in 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 Shariah Index)	CSE All Share Price Index (CSE Shariah Index)	DSE	CSE	DSE	CSE
Nov-19	586	328	1280.03	722.63	3567.04	2858.60	74.11	5.17	4731.44 (1082.16)	14392.43 (928.83)	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 (999.83)	13505.70 (859.03)	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 (1028.29)	13586.40 (882.72)	11.74	11.65	4.99	4.33
Feb-20	589	331	1297.44	732.66	3429.83	2741.11	124.28	6.20	4480.23 (1044.91)	13742.96 (901.17)	11.88	15.71	4.90	4.36
Mar-20	589	331	1297.44	733.08	3122.35	2445.72	66.46	4.84	4008.29 (920.69)	11328.00 (729.30)	10.58	10.56	5.50	4.77
Jun-20 [@]	589	331	1297.44	735.90	3119.67	2447.57	47.80	9.53	3989.09 (925.08)	11332.59 (733.28)	10.78	10.68	4.43	4.73
Jul-20	590	332	1300.96	743.24	3257.33	2572.76	60.01	3.50	4214.43 (976.50)	11957.06 (777.28)	11.37	11.40	4.29	4.56
Aug-20	591	333	1306.01	744.83	3698.34	2997.00	186.18	5.94	4879.15 (1132.85)	13908.14 (902.97)	13.06	12.68	3.69	3.87
Sep-20	592	334	1311.98	748.25	3996.42	3300.77	222.58	7.19	4963.29 (1120.39)	14167.23 (912.64)	13.51	13.97	3.61	3.36
Oct-20	593	335	1315.83	750.21	3912.52	3227.92	170.40	5.41	4846.1022 (1098.80)	13824.13 (888.06)	13.21	12.89	3.70	3.43
Nov-20	593	335	1316.10	754.02	3899.79	3212.33	174.07	5.80	4866.84 (1113.98)	13991.43 (919.67)	12.98	12.82	3.73	3.46

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

Note: BDT= Bangladeshi Currency (Taka)

@ No transactions were made in April & May, 2020 due to ordinary holiday for Covid-19

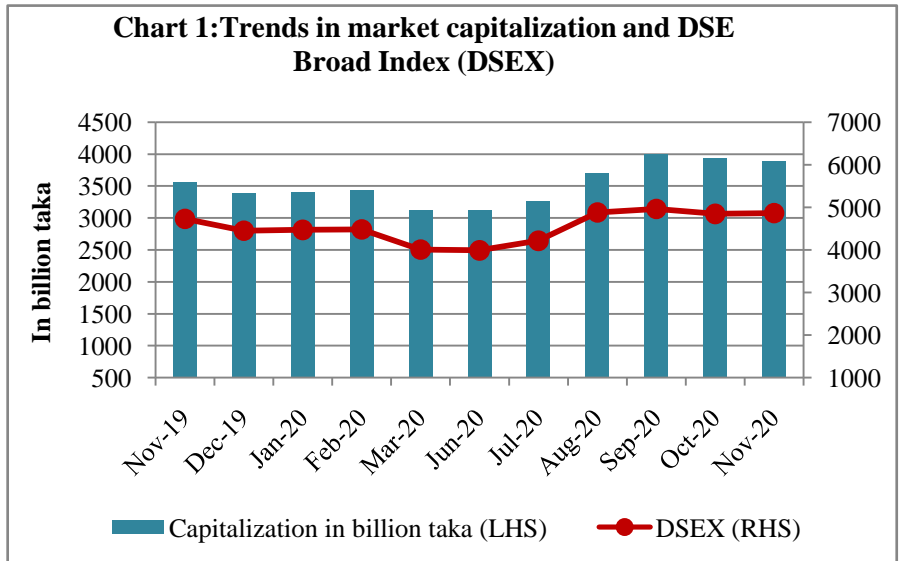
#Total Market Capitalization of all listed securities includes companies, mutual funds, corporate bonds, treasury bonds and debentures.

Dhaka Stock Exchange (DSE)

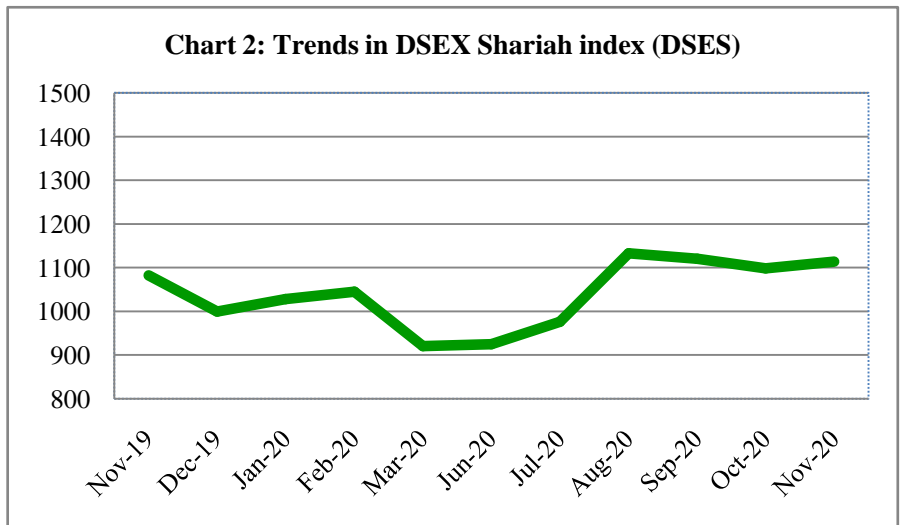
The total number of listed securities stood at 593 at the end of November 2020. Among listed securities, there were 325 companies, 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 48 insurance companies and 224 others companies.

Total turnover value of traded shares was BDT 174.07 billion during November 2020 which was 2.16 percent higher than that of October 2020 and 134.89 percent higher than that of the same month of the last year respectively (see the table).

DSE Broad Index (DSEX) stood at 4866.84 points at the end of November 2020, which was 0.43 percent higher than 4846.10 points at the end of October 2020 and 2.86 percent higher than 4731.44 points at the end of November 2019 (Chart-1).



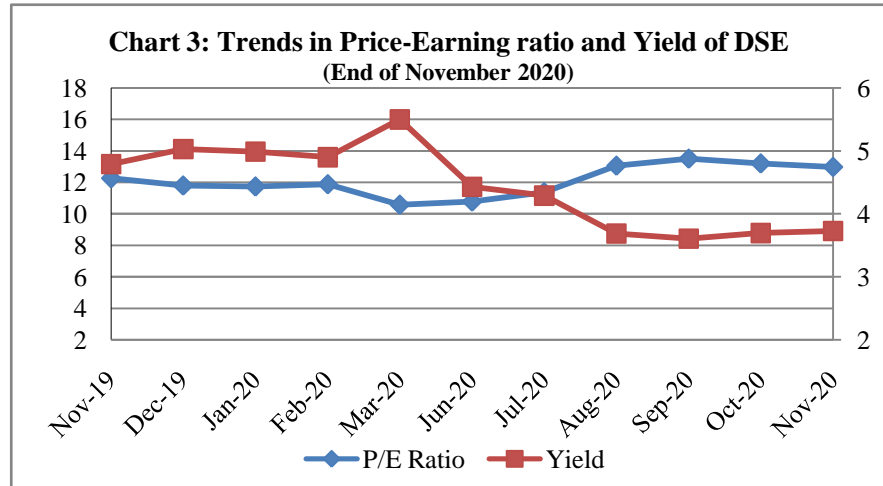
The market capitalization of DSE stood at BDT 3899.79 billion at the end of November 2020 which was 0.33 percent lower than BDT 3912.52 billion at the end of October 2020 and 9.33 percent higher than that of BDT 3567.04 billion at the end of November 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 13.95 percent* at the end of November 2020 which was 13.99 percent at the end of October 2020.



Sharia'h Compliant index named DSES went up to 1113.98 points at the end of November 2020 which was 1098.80 points at the end of October 2020 and 1082.16 points at the end of November 2019 (Chart 2).

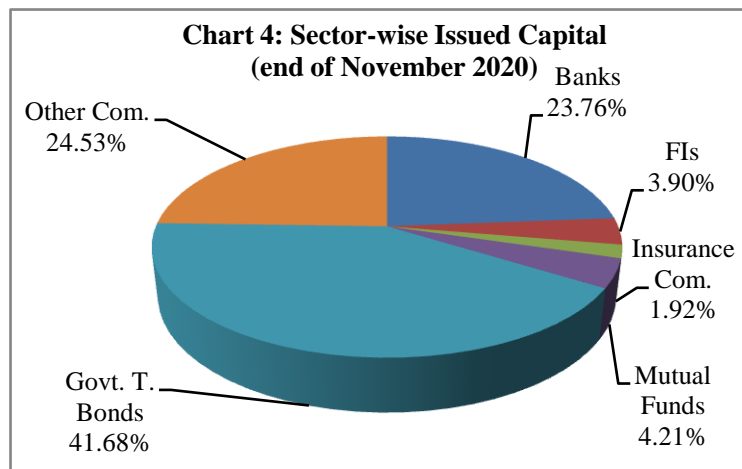
*The ratio of market capitalization to GDP is calculated as market capitalization divided by GDP of FY20^P at current market price multiplied by 100 which is 13.95 [(3899.79/27963.78) x100 = 13.95].

The price-earning (P/E) ratio decreased to 12.98 at the end of November 2020 which was 13.21 at the end of the October 2020. The ratio was 12.26 at the end of the November 2019. On the other hand, the yield of all share increased to 3.73 at the end of November 2020 which was 3.70 at the end of October 2020 and 4.79 at the end of November 2019. Trends of price-earning ratio and yield are shown in the Chart 3.

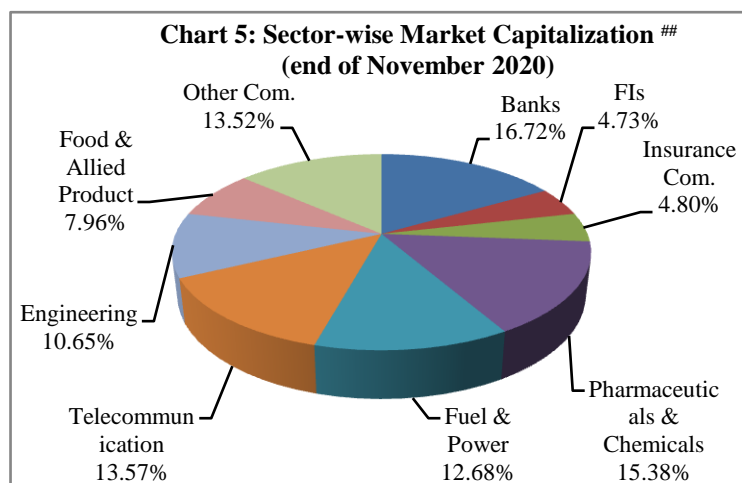


Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital was BDT 1316.10 billion at the end of November 2020 which was BDT 1315.83 billion at the end of October 2020 and BDT 1280.03 billion at the end of November 2019. At the end of November 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 41.68 percent of the capital followed by Banks 23.76 percent, Mutual Funds 4.21 percent, Financial Institutions (FIs) 3.90 percent, Insurance Companies 1.92 percent, and Other Companies 24.53 percent respectively (Chart 4).



At the end of November 2020, the contribution of Banks' recorded as the highest contributor of market capitalization which was 16.72 percent followed by Pharmaceuticals & Chemicals 15.38 percent, Telecommunication 13.57 percent, Fuel & Power 12.68 percent, Engineering 10.65 percent, Food & Allied Product 7.96 percent, and Other Companies 13.52 percent (Chart 5).



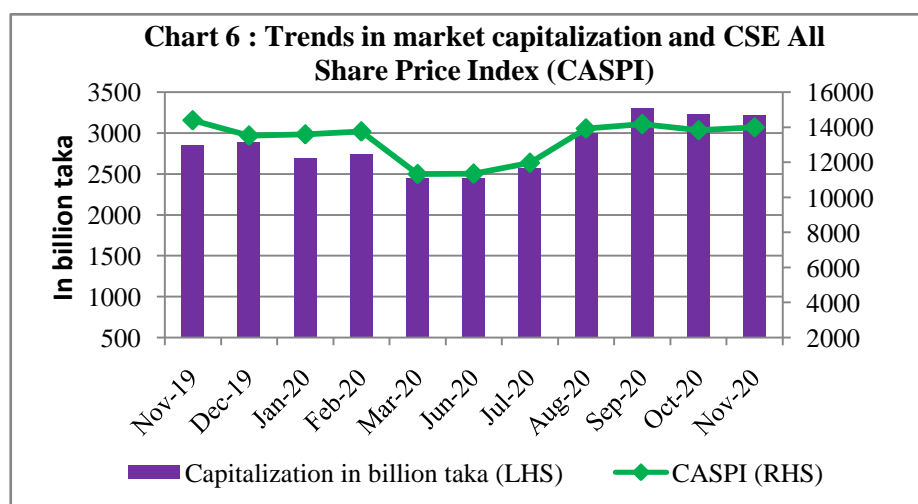
Sector-wise Market Capitalization of all listed securities excluding Bangladesh Govt. Treasury Bonds (BGTBs) and debentures since these two types of products are not taking part in trading in the market.

7.96 percent, Insurance Companies 4.80 percent, Financial Institutions 4.73 percent, and Other listed companies 13.52 percent (Chart 5).

Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 335 at the end of November 2020. Total turnover value of traded shares was BDT 5.80 billion during November 2020 which was 7.20 percent higher than that of October 2020 and 12.17 percent higher than that of the same month of the previous year. The market capitalization of CSE stood at BDT 3212.33 billion at the end of November 2020 which was 0.48 percent lower and 12.37 percent higher than that of the end of October 2020 and the end of November 2019 respectively.

All Share Price Index of CSE stood at 13991.43 points at the end of November 2020, which was 1.21 percent higher than 13824.13 points at the end of October 2020 and 2.79 percent lower than 14392.43 points at the end of November 2019 respectively (Chart-6).



The Shariah Compliant index 'CSES' went up to 919.67 points at the end of November 2020 which was 888.06 points at the end of October 2020 and 928.83 points at the end of November 2019.

The total amount of issued capital slightly rose to BDT 754.02 billion at the end of November 2020 which was BDT 750.21 billion at the end of October 2020 and BDT 722.63 billion at the end of November 2019. Price Earnings (P/E) ratio in CSE decreased to 12.82 at the end of November 2020 which was 12.89 at the end of October 2020. The ratio was 16.53 at the end of November 2019. In Chittagong Stock Exchange, the yield increased to 3.46 at the end of November 2020 which was 3.43 at the end of October 2020 and 4.09 at the end of November 2019.

Conclusion

The role of capital market in the economic development of the country is immense. To push upward the ailing capital market BB has issued a guideline regarding equity exposure which already taken or to be taken by banks involved in the private sector infrastructure projects or project related companies. Now, subject to fulfillment of some conditions, Special Purpose Vehicle, Alternative Investment Fund or any fund similar to said fund approved by Bangladesh Securities and Exchange Commission (BSEC) can be used by private sector in power and energy, tourism and digital infrastructure projects or project related companies which has already adopted by banks in order to create market liquidity, increase the quality of investment and reduce risk of the equity exposure of banks.

An expansionary monetary policy has been announced by BB for the fiscal year 2020-21 aiming to speed up recovery of the pandemic-hit economy. To overcome the challenges posed by the Covid-19 pandemic, the BSEC has brought a number of changes in its regulatory policy aimed at developing the capital market and restoring investor confidence. With these positive policy supports, currently we have been seeing some recovery in the stock market which gives us hope for a vibrant capital market soon.