

Capital Market Development in Bangladesh*

December, 2019



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 December 2019, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of index compared to the end of November 2019. Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of turnover during December 2019 compared to the previous month.* Broad index of DSE and all share price index of CSE stood at 4452.93 points and 13505.70 points respectively at the end of December 2019.

Table : Monthly Capital Market Developments in Bangladesh

(BDT/volume 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
Dec-18	578	320	1243.01	672.33	3872.95	3146.84	87.06	7.67	5385.64	16449.51	15.19	15.89	3.58	3.21
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

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

Note: BDT= Bangladeshi Currency (Taka)

Dhaka Stock Exchange (DSE)

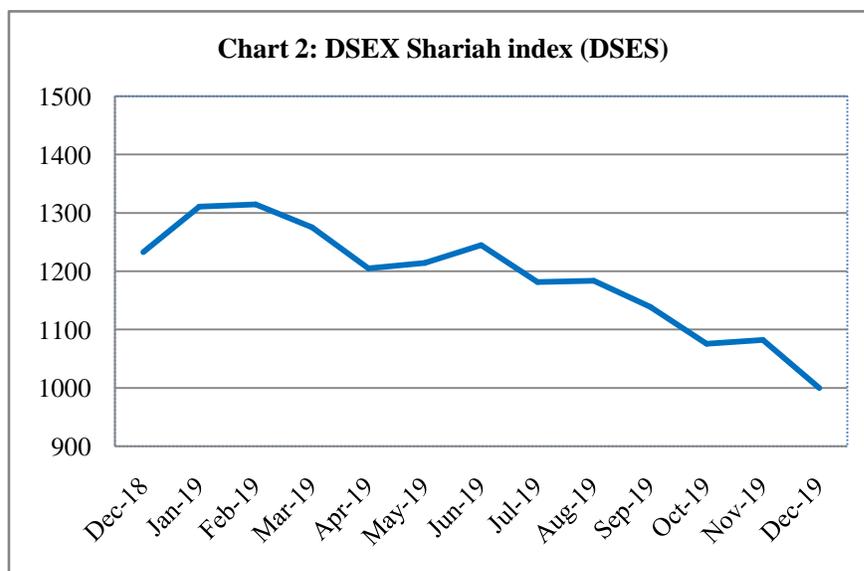
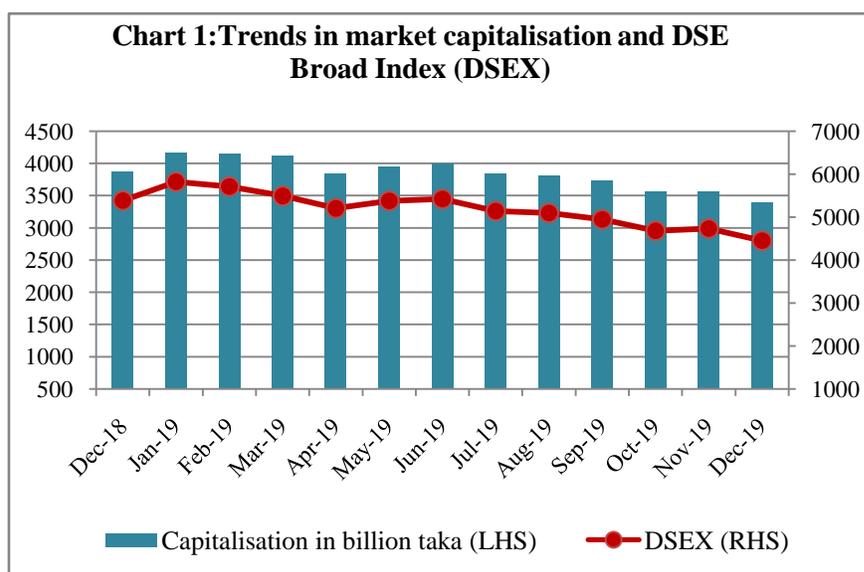
The total number of listed securities stood at 587 at the end of December 2019. Among listed companies, there were 320 companies, 37 mutual funds, 221 government bonds, 8 debentures, and 1 corporate bond. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 220 other companies.

Total turnover value of traded shares was BDT 67.03 billion during December 2019 which was 9.56 percent and 23.01 percent lower than that of the preceding month and the same month of the last year respectively (Table).

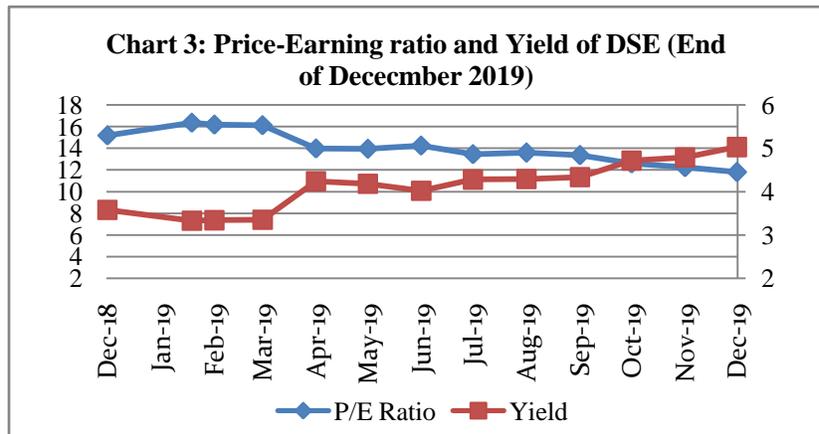
DSE Broad Index (DSEX) stood at 4452.93 points at the end of December 2019, which was 5.89 percent lower than 4731.44 points at the end of November 2019 and 17.32 percent lower than 5385.64 points at the end of December 2018 (Chart-1).

The market capitalization of DSE stood at BDT 3395.51 billion at the end of December 2019 which was 4.81 percent lower than BDT 3567.04 billion at the end of November 2019 as well as 12.33 percent lower than BDT 3872.95 billion at the end of December 2018 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 13.36 percent at the end of December 2019.

Sharia'h Compliant index named DSES went down to 999.83 points at the end of December 2019 which was 1082.16 points at the end of November 2019 and 1232.82 points at the end of December 2018 (Chart 2).

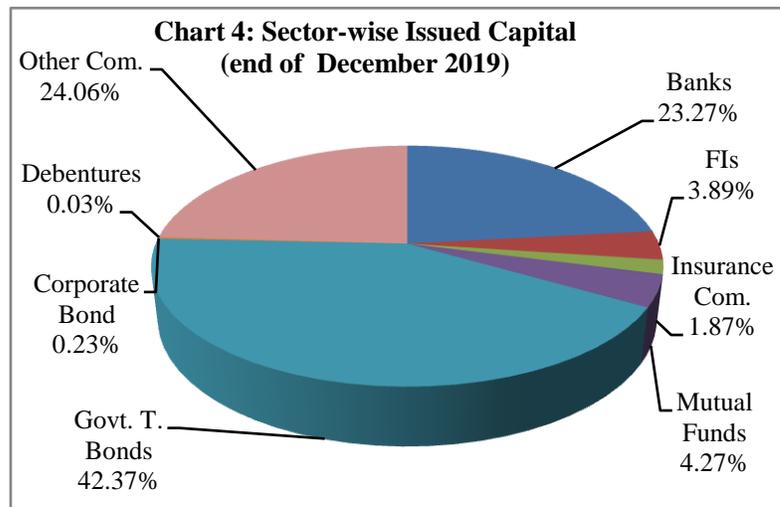


The price-earning (P/E) ratio decreased to 11.80 at the end of December 2019 which was 12.26 at the end of the November 2019. The ratio was 15.19 at the end of the December 2018. In contrast, the yield of all share increased to 5.03 at the end of December 2019 which was 4.79 at the end of November 2019 and 3.58 at the end of December 2018. Trends of price-earnings ratio and yield are shown in the Chart 3.

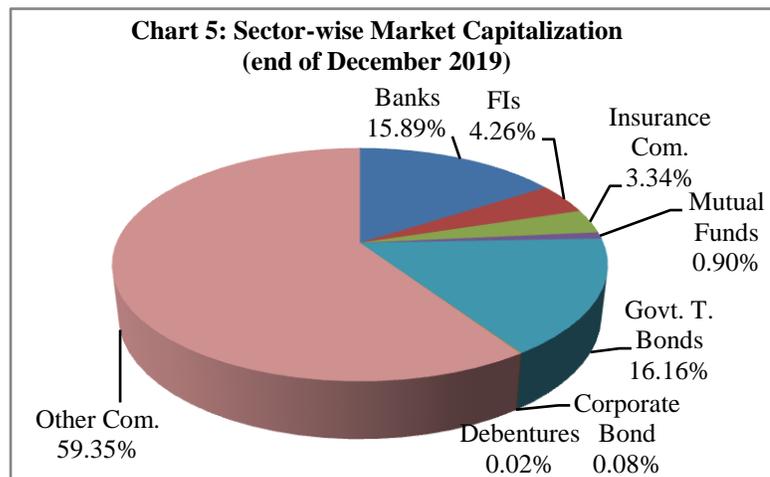


Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital increased to BDT 1294.81 billion at the end of December 2019 which was BDT 1280.03 billion and BDT 1243.01 billion at the end of November 2019 and December 2018 respectively. At the end of December 2019 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 42.37 percent of the capital followed by other companies (24.06 percent) and banking sector (23.27 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.27 percent, 3.89 percent, 1.87 percent 0.23 percent and 0.03 percent respectively (Chart 4).



The contribution of Banks to the total market capitalization was 15.89 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs),



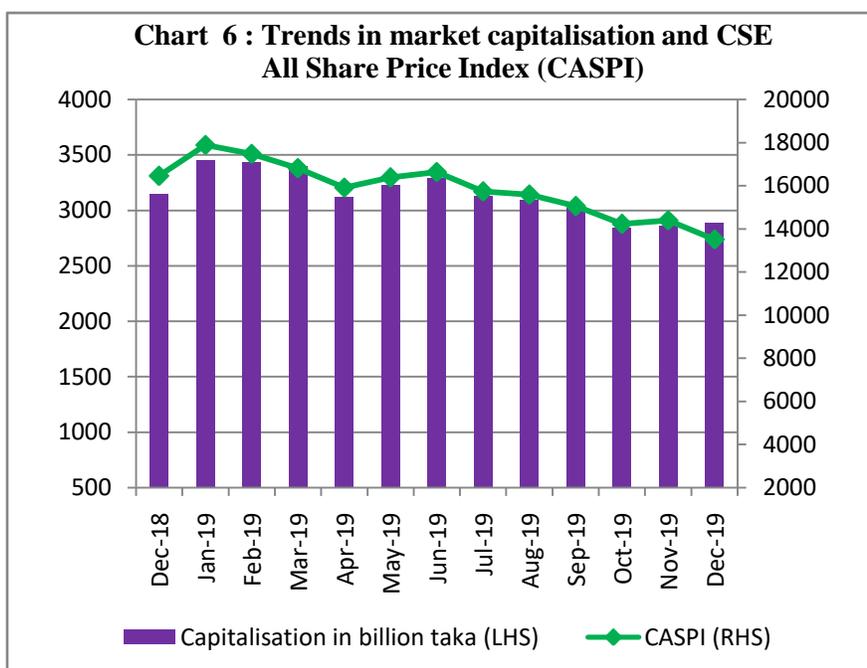
Insurance Companies, Mutual Fund, Corporate Bonds and Debentures were 16.16 percent, 4.26 percent, 3.34 percent, 0.90 percent and 0.08 percent and 0.02 percent respectively. At the end of December 2019, the contribution of other listed companies (manufacturing, service and others) captured the highest portion (59.35 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 329 at the end of December 2019. Total turnover value of traded shares was BDT 3.96 billion during December 2019 which was 23.54 percent lower than that of the preceding month as well as 48.40 percent lower than that of the same month of the previous year. The market capitalization of CSE stood at BDT 2888.88 billion at the end of December 2019 which was 1.06 percent higher than that of the end of November 2019 and 8.20 percent lower than that of the end of December 2018.

All Share Price Index of CSE stood at 13505.70 points at the end of December 2019, which was 6.16 percent and 17.90 percent lower than 14392.43 points and 16449.51 points at the end of November 2019 and December 2018 respectively (Chart-6).

The Shariah Compliant index 'CSES' went down to 859.03 points at the end of December 2019 which was 928.83 points at the end of November 2019 and 1076.78 points at the end of December 2018.



The total amount of issued capital rose to BDT 730.18 billion at the end of December 2019 which was BDT 722.63 billion and BDT 672.33 billion at the end of November 2019 and December 2018 respectively. Price Earnings (P/E) ratio in CSE decreased to 16.27 at the end of December 2019 which was 16.53 at the end of November 2019. The ratio was 15.89 at the end of December 2018. In Chittagong Stock Exchange, the yield slightly increased to 4.40 at the end of December 2019 which was 4.09 at the end of November 2019 and 3.21 at the end of December 2018.

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