

# **Capital Market Developments in Bangladesh\***

**October-December, 2017**



**Research Department  
Bangladesh Bank**

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\*Prepared by Special Studies Division, Research Department, Bangladesh Bank (Central Bank of Bangladesh). Comments on the report are highly welcome and can be sent to Md. Golzare Nabi, Deputy General Manager, Research Department, Bangladesh Bank (e-mail: [golzare.nabi@bb.org](mailto:golzare.nabi@bb.org)) or Rupok Chad Das, Assistant Director, Research Department, Bangladesh Bank (e-mail: [rupok.chad@bb.org.bd](mailto:rupok.chad@bb.org.bd)).

## **Report Preparation Committee**

### **Chief Coordinator**

Dr. Md. Akhtaruzzaman  
Economic Adviser

### **Coordinator**

Md. Abdul Awwal Sarker  
General Manager

### **Team Members**

Md. Golzare Nabi  
Deputy General Manager

Nur-E-Alom Siddique  
Deputy Director

Rupok Chad Das  
Assistant Director

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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 quarterly analysis on capital market developments gives some insights to understand overall activities of capital market in Bangladesh. During October-December 2017, both stock exchanges exhibited slightly upward trend in terms of index but downward trend in terms of turnover compared to the previous quarter. Broad index of DSE and all share price index of CSE went up to 6244.52 and 19268.04 points respectively at the end of December, 2017.

## Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 569 at the end of December 2017 which comprise 302 companies, 36 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds respectively. The number of companies consists of banks 30, financial Institutions 23, insurance companies 47 and other companies 202.

During October-December 2017, a total number of 12.15 billion shares were traded as against 19.41 billion shares during July-September 2017 and 13.70 billion shares during the same period of the previous year. It was 37.40 percent lower than that of preceding quarter and 11.33 percent lower than that of the same period of the previous year respectively. During the period under report, the total turnover value of traded shares was Tk. 433.58 billion which was 28.29 percent lower and 2.04 percent higher than that of the preceding quarter and the same quarter of the previous year respectively (Annex-1).

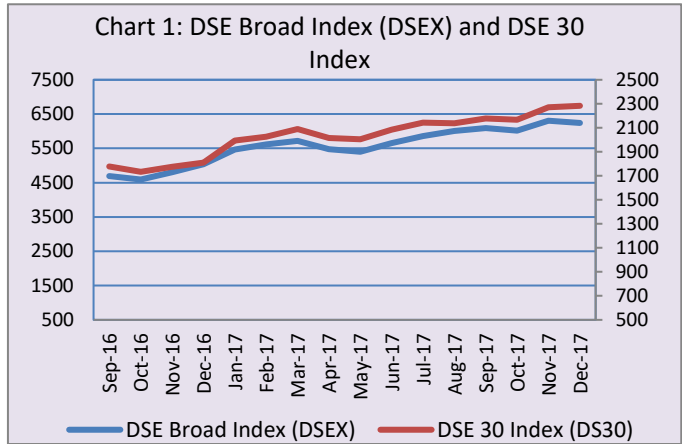
**Table 1: Sector wise Performance of DSE during October-December 2017**

(Tk./volume in billions)

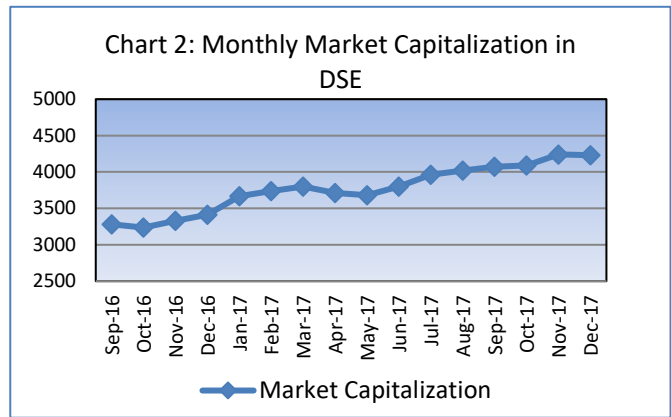
	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	258.65	752.55	146.31	5.37	11.04	4.41
FIs	23	43.57	244.02	46.15	1.18	22.93	2.60
Insurance Com	47	22.59	94.37	10.30	0.36	14.51	2.99
Mutual Funds	36	53.35	42.31	4.46	0.55		-
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	2	5.85	5.93	0.36	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other com.	202	261.21	2540.60	226.00	4.69		
Grand Total	569	1194.16	4228.95	433.58	12.15	17.28	3.25

Source: Dhaka Stock Exchange (DSE)

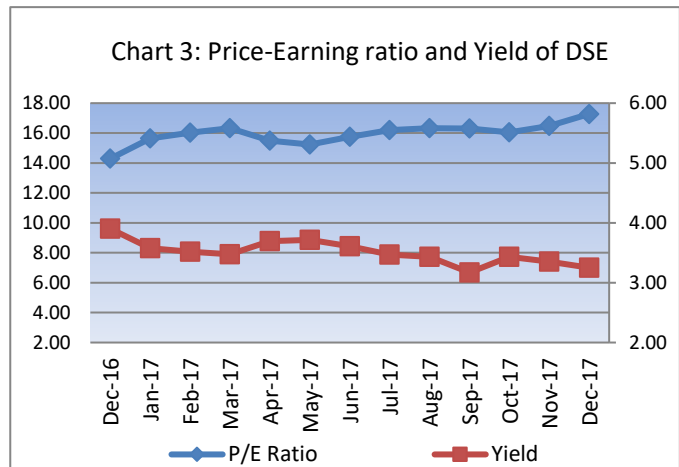
All Share Price Index of DSE (DSEX) stood at 6244.52 point at the end of December 2017, which was 4.48 percent higher than 6092.84 points at the end of September 2017 and 24 percent higher than 5036.05 points at the end of December 2016 (Chart-1). DSE30 index<sup>1</sup> stood at 2283.23 points at the end of December 2017, which was 4.84 percent and 26.08 percent higher than 2177.62 and 1810.91 points at the end of September 2017 and December 2016 respectively. Shariah Compliant index named DSES went up to 1390.67 points at the end of December 2017 which was 1345.86 points at the end of September 2017 and 1191.87 points at the end of December 2016.



The market capitalization of DSE stood at Tk. 4228.95 billion at the end of December, 2017 which was 3.85 percent and 23.93 percent higher than that of the previous quarter and the same period of the previous year respectively (Chart-2). The ratio of market capitalization to GDP stood at 17.46 percent at the end of December 2017, which registered the peak at 43.52 during the month of December 2010.



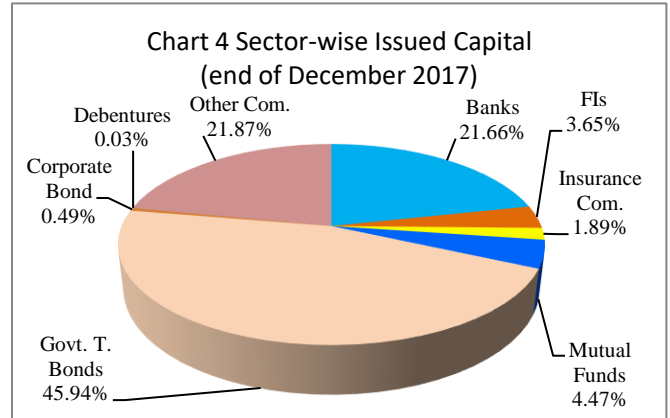
The price-earning (P/E) ratio slightly increased to 17.28 during the period under report which was 16.31 at the end of the preceding quarter. The ratio was 14.29 at the end of the same quarter of the preceding year. In contrast, the yield of all share stood at 3.25 at the end of December 2017 which was 3.17 at the end of September 2017 and 3.90 at the end of December 2016. Both the price-earnings ratio and yield showed an upward trend as compared to that of previous quarter (at the end of September 2017) (Chart 3).



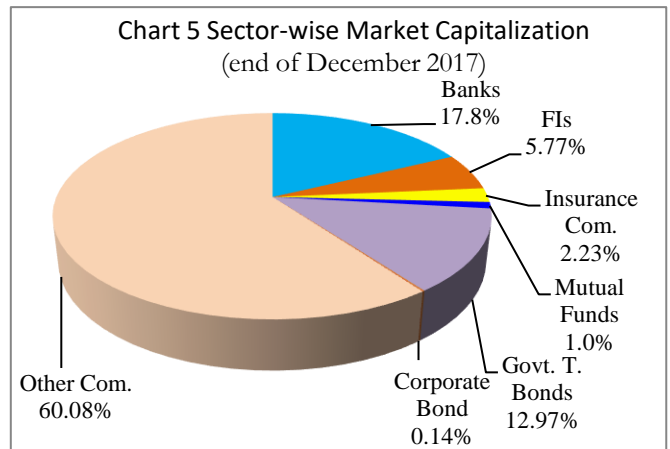
<sup>1</sup> DSE30 index is being calculated based on the best performing 30 companies' share prices from January 2013.

## Sector wise Issued capital and market capitalization of DSE

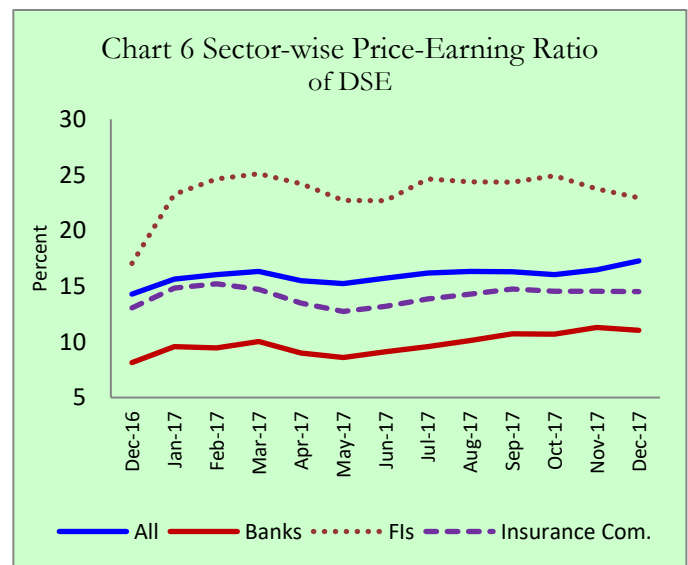
The total amount of issued capital increased to Tk. 1194.16 billion at the end of December 2017 which was Tk. 1178.05 billion and Tk. 1145.30 billion at the end of September 2017 and December 2016 respectively. At the end of December 2017 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 45.94 percent of the capital followed by other companies (21.87 percent) and banking sectors (21.66 percent). During the period under report, the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.47 percent, 3.65 percent, 1.89 percent, and 0.49 percent respectively (Chart 4).



The contribution of Banks to the total market capitalization was 17.80 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund and Corporate Bonds was approximately 12.97 percent, 5.77 percent, 2.23 percent, 1.00 percent and 0.14 percent respectively. During the same period, except financial sector the contribution of other listed companies (manufacturing, service and others) captured the highest portion (60.08 percent) among all listed securities in DSE (chart 5).



Price-earnings (P/E) ratio of all securities of DSE registered 17.28 percent at the end of December 2017. Within the financial sector companies the P/E ratios for banking sector historically performs the best. P/E ratios for banks, FIs and Insurances companies are 11.047, 22.93 and 14.51 percent respectively (chart 6).



## Chittagong Stock Exchange (CSE)

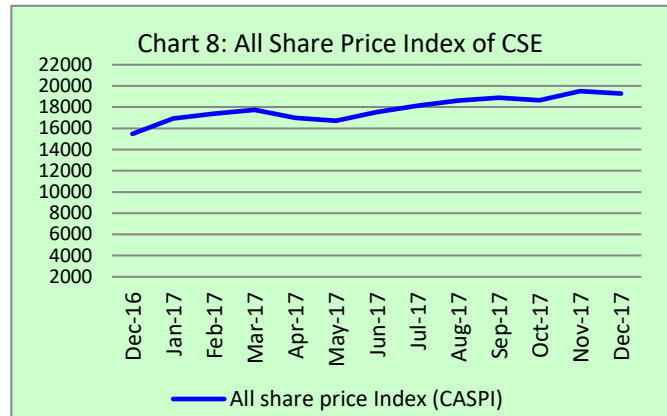
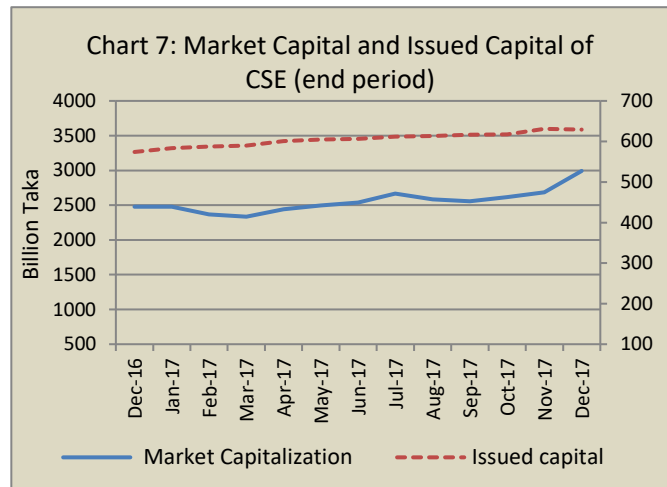
The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 308 at the end of December 2017. During the period October-December 2017, a total number of 936.16 million

shares were traded as against 1495.48 million shares during July-September 2017 and 986.22 million shares during the same period of the previous year. It was 37.4 percent and 5.08 percent lower than that of preceding quarter and the same period of the previous year respectively.

During October-December 2017, the total turnover value of traded shares was Tk. 29.93 billion which was 28.31 percent lower and 14.46 percent higher than that of the preceding quarter and the same quarter of the previous year respectively. The market capitalization of CSE stood at Tk. 3522.97 billion at the end of the period under report, which was 4.15 percent higher and 31.30 percent higher than the same of period of the preceding quarter and the same period of the preceding year respectively (Annex-3).

All Share Price Index of CSE stood at 19268.04 points at the end of December 2017, which was 2.05 percent higher and 24.49 percent higher than 18881.90 points and 15477.66 points at the end of September 2017 and December 2016 respectively. The CSE 30 index stood at 17235.59 points at the end of December 2017, which is 4.94 percent lower and 26.89 percent higher than 16424.84 and 13583.60 points at the end of September 2017 and December 2016 respectively. The Shariah Compliant index 'CSES' went up to 1251.61 points at the end of December 2017 which was 1227.25 points at the end of September 2017 and 1072.08 points at the end of December 2016.

The total amount of issued capital rose to Tk. 628.92 billion at the end of December 2017 which was Tk. 616.7 billion and Tk. 574.11 billion at the end of September 2017 and December 2016 respectively. During October-December 2017, Price Earnings (P/E) ratio in CSE decreased to 17.03 from 17.18 at the end of the preceding quarter. However, the ratio was higher compared to the same period of the preceding year. In Chittagong Stock Exchange, the yield slightly decreased to 2.87 at the end of December 2017 which was 2.98 at the end of September 2017 and 3.22 at the end of December 2016.



A comparative picture of the two stock exchanges (Table-2) is given below:

**Table 2: Summary of Capital Market Developments in Bangladesh**

(Billion Taka)

End period	Number of listed Securities		Issued capital (Billion Taka)		Market Capitalization (Billion Taka)		Total Turnover (Billion Taka)		Indices	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE
Sep-15	556	296	1,096.80	536.27	3,355.50	2,678.26	311.33	24.87	4,852.08	14,845.00
Dec-15	559	299	1,105.92	544.68	3,159.76	2,487.49	243.39	17.47	4,629.64	14,089.63
Mar-16	560	300	1,111.64	551.35	3,030.37	2,368.35	279.89	19.52	4,357.54	13,407.24
Jun-16	559	298	1,127.41	566.08	3,185.75	2,496.85	237.85	16.20	4,507.58	13,802.59
Sep-16	559	299	1,131.39	565.57	3,281.91	2,582.65	248.92	21.21	4,695.19	14,429.44
Dec-16	560	300	1,145.30	574.10	3,412.44	2,683.04	424.90	26.15	5,036.05	15,477.66
Mar-17	562	302	1,152.55	590.06	3,798.31	3,118.87	754.07	45.73	5,719.61	17,738.30
Jun-17	563	303	1,165.51	606.57	3,801.00	3,113.25	377.32	30.68	5,656.05	17,516.71
Sep-17	564	304	1,178.05	616.7	4,072.08	3,382.72	604.63	41.76	6,092.84	18,881.60
Dec-17	569	308	1,194.16	628.92	4,228.95	3,522.97	433.58	29.33	6,244.52	19,264.04

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

### Regional Markets

Main indices of the regional stock markets of 6 selected countries (Bangladesh, India, Indonesia, Sri Lanka, Pakistan and Thailand) at the end of January 2018, showed downward trend except Bangladesh. It is observed that, Thailand has the highest market capitalization (% of GDP) among the selected countries (125.35 percent) followed by 95.59 percent in India, 51.51 percent in Indonesia, 27.75 percent in Pakistan, 22.69 percent in Sri Lanka and 18.46 percent in Bangladesh at the end of January 2017. However, Pakistan has highest Interest rate of 10 Year Government Bond (8.50 percent) while it was 7.35 percent in Bangladesh at the end of January 2018 (Table 3).

**Table 3: Regional markets as on January 2018**

Country	Index		Interest Rate 10-Yr-G-Bond % a year	M. Cap to GDP ratio* %	yield	P/E ratio
	In Name	% change over previous month				
Thailand	SET	-6.27	2.34	125.35	2.17	19.44
India	BSE	-7.08 (BSE 30)	7.28 (BSE 30)	95.59	1.18 (BSE 100)	25.53 (BSE 100)
Indonesia	ISE	-7.28 (JC)	6.18 (JC)	51.51	-	-
Pakistan	Pakistan SE	-14.82 (KSE 100)	8.50 (KSE 100)	27.75	-	-
Sri Lanka	Colombo SE	-	-	22.69	1.32	10.69
Bangladesh	DSEX	3.39	7.35	18.46	3.21	17.33

Source: Monthly Review of Dhaka Stock Exchange, available data up to January 2018 \*= End of December 2017

## **Conclusion**

Though capital market plays significant role in economic development by channeling long term funds from savers to investors, capital market in Bangladesh is still lagging behind as compared to those of South Asian and South-east Asian countries. Banks play dominant roles in financing economic activities in Bangladesh. However, banks are not in a position to finance a long term productive investment activities continuously following higher level of non-performing loan and risk of maturity mismatch of funds. Given this, Bangladesh needs to undertake measures to expand capital market for financing productive investments and infrastructural projects. To this end, regulator of capital market BSEC may undertake some pragmatic steps to ensure good corporate governance, motivate good companies for floating bonds, shares and continue legal facilitation with more attractive incentives, especially for the foreign participants. BSEC may motivate government infrastructure developing bodies and private sectors to issue Islamic Shariah compliant investment certificate popularly known as Sukuk for financing large infrastructure projects like other Muslim majority countries such as Malaysia, Indonesia, KSA, UAE as well as non-Muslim majority countries like UK and Singapore.