



5.2 Stock markets

	Market capitalization				Value traded		Turnover ratio		Listed domestic companies		IFC Investable index	
	\$ millions		% of GDP		% of GDP		value of shares traded as % of capitalization		1990	1999	% change in price index	
	1990	1999	1990	1998	1990	1998	1990	1999	1990	1999	1998	1999
Albania	..	..	..	..	..	..	..	..	..	..	..	..
Algeria	..	..	..	..	..	..	..	..	..	..	..	..
Angola	..	..	..	..	..	..	..	..	..	..	..	..
Argentina	3,268	83,887	2.3	15.2	0.6	5.1	33.6	12.0	179	129	-28.5	33.4
Armenia	..	18	..	0.9	..	0.1	..	5.9	..	82	..	..
Australia	107,611	874,283	36.2	241.7	13.5	112.6	31.6	51.9	1,089	1,162	..	..
Austria	11,476	34,106	7.2	16.1	11.7	7.8	110.3	47.4	97	96	..	..
Azerbaijan	..	3	..	0.1	..	..	..	..	..	2	..	..
Bangladesh	321	865	1.1	2.4	0.0	1.9	1.5	2.6	134	211	-38.5 ^a	-17.5 ^a
Belarus	..	..	..	..	..	..	..	..	..	..	..	..
Belgium	65,449	245,657	33.4	99.0	3.3	22.3	..	28.9	182	146	..	..
Benin	..	..	..	..	..	..	..	..	..	..	..	..
Bolivia	..	3,222	..	37.5	..	0.4	..	1.9	..	14	..	..
Bosnia and Herzegovina	..	..	..	..	..	..	..	..	..	..	..	..
Botswana	261	1,052	6.7	14.8	0.2	1.4	6.1	0.7	9	15	9.2 ^a	45.6 ^a
Brazil	16,354	227,962	3.5	20.7	1.2	18.8	23.6	53.0	581	478	-43.0	66.9
Bulgaria	..	706	..	8.1	..	0.1	..	2.4	..	828	-30.1 ^a	-23.7 ^a
Burkina Faso	..	..	..	..	..	..	..	..	..	..	..	..
Burundi	..	..	..	..	..	..	..	..	..	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	..	..	..
Cameroon	..	..	..	..	..	..	..	..	..	..	..	..
Canada	241,920	543,394	42.2	93.6	12.4	64.1	26.7	67.0	1,144	1,384	..	..
Central African Republic	..	..	..	..	..	..	..	..	..	..	..	..
Chad	..	..	..	..	..	..	..	..	..	..	..	..
Chile	13,645	68,228	45.0	65.9	2.6	5.6	6.3	11.4	215	285	-29.8	35.8
China	2,028	330,703	0.5	24.1	0.2	29.7	158.9	134.2	14	950	-52.6	102.2
Hong Kong, China	83,397	343,394	111.5	206.3	46.3	123.7	43.1	54.4	284	658	..	..
Colombia	1,416	11,590	3.0	13.0	0.2	1.5	5.6	5.8	80	145	-46.8	-19.7
Congo, Dem. Rep.	..	..	..	..	..	..	..	..	..	..	..	..
Congo, Rep.	..	..	..	..	..	..	..	..	..	..	..	..
Costa Rica	475	1,308	7.0	12.5	0.2	0.2	5.8	..	82	97	..	..
Côte d'Ivoire	549	1,514	5.1	16.5	0.2	0.4	3.4	10.8	23	38	4.4 ^a	-12.1 ^a
Croatia	..	2,584	..	14.7	..	0.5	..	5.0	2	59	-33.8 ^a	-18.1 ^a
Cuba	..	..	..	..	..	..	..	..	..	..	..	..
Czech Republic	..	11,796	..	21.4	..	8.4	..	37.4	..	164	-7.3	4.2
Denmark	39,063	98,881	29.3	56.5	8.3	27.6	28.0	..	258	242	..	..
Dominican Republic	..	140	..	0.9	..	..	..	..	..	6	..	..
Ecuador	69	415	0.5	8.3	..	0.7	0.0	5.0	65	28	-36.9 ^a	-77.1 ^a
Egypt, Arab Rep.	1,765	32,838	4.1	29.5	0.3	6.1	..	31.6	573	1,033	-30.9	24.2
El Salvador	..	1,435	..	12.1	..	0.2	..	1.9	..	80	..	..
Eritrea	..	..	..	..	..	..	..	..	..	..	..	..
Estonia	..	1,789	..	10.0	..	18.2	..	17.6	..	25	-65.4 ^a	42.3 ^a
Ethiopia	..	..	..	..	..	..	..	..	..	..	..	..
Finland	22,721	154,518	16.9	125.1	2.9	48.8	..	53.0	73	129	..	..
France	314,384	991,484	26.3	69.5	9.8	40.1	..	68.7	578	711	..	..
Gabon	..	..	..	..	..	..	..	..	..	..	..	..
Gambia, The	..	..	..	..	..	..	..	..	..	..	..	..
Georgia	..	..	..	..	..	..	..	..	..	..	..	..
Germany	355,073	1,093,962	22.9	51.3	22.1	65.2	139.3	144.9	413	741	..	..
Ghana	76	916	1.2	18.5	0.0	0.8	0.0	3.3	13	22	17.3 ^a	-33.5 ^a
Greece	15,228	204,213	18.4	66.3	4.7	38.9	36.3	131.1	145	281	91.2	64.4
Guatemala	..	172	..	0.9	..	0.1	..	9.6	..	7
Guinea
Guinea-Bissau
Haiti
Honduras	40	458	1.3	8.5	0.0	0.0	0.0	..	26	94



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	Market capitalization				Value traded		Turnover ratio		Listed domestic companies		IFC Investable index	
	\$ millions		% of GDP		% of GDP		value of shares traded as % of capitalization		1990	1999	% change in price index	
	1990	1999	1990	1998	1990	1998	1990	1999			1998	1999
Hungary	505	16,317	1.5	29.3	0.3	33.8	6.3	95.8	21	66	-10.8	15.2
India	38,567	184,605	11.9	24.5	6.8	15.0	65.9	84.4	2,435	5,863	-23.0	81.0
Indonesia	8,081	64,087	7.1	23.5	3.5	10.3	75.8	47.0	125	277	-28.1	95.1
Iran, Islamic Rep.	34,282	14,874	..	13.1	..	1.2	30.4	9.3	97	242	..	..
Iraq	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	29,956	..	36.6	..	27.0	..	81.8	..	79	..	..
Israel	3,324	63,820	6.3	39.4	10.5	11.2	95.8	29.9	216	644	-16.0	54.9
Italy	148,766	569,731	13.6	48.6	3.9	40.6	26.8	104.1	220	320	..	..
Jamaica	911	2,530	21.5	33.3	0.8	0.6	3.4	0.0	44	46	-21.3 ^a	1.9 ^a
Japan	2,917,679	2,495,757	98.2	66.0	54.0	25.1	43.8	40.3	2,071	2,416	13.4 ^b	..
Jordan	2,001	5,827	49.8	79.0	10.1	8.8	20.0	9.4	105	152	3.0	-3.6
Kazakhstan	..	37	..	0.2	..	..	..	..	..	18	..	..
Kenya	453	1,409	5.3	17.5	0.1	0.7	2.2	0.3	54	57	13.8 ^a	-27.5 ^a
Korea, Dem. Rep.	..	..	..	..	..	..	..	..	..	..	..	..
Korea, Rep.	110,594	308,534	43.8	35.7	30.1	43.0	61.3	355.8	669	725	120.7	106.5
Kuwait	..	..	..	..	..	37.1	..	..	..	69	..	..
Kyrgyz Republic	..	..	..	0.3	..	0.0	..	..	..	..	..	..
Lao PDR	..	..	..	..	..	..	..	..	..	..	..	..
Latvia	..	391	..	6.0	..	1.3	..	0.2	..	70	-67.4 ^a	-9.5 ^a
Lebanon	..	1,921	..	13.8	..	1.9	..	9.3	..	12	..	-18.0 ^a
Lesotho	..	..	..	..	..	..	..	..	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..	..	..	..
Lithuania	..	1,138	..	10.0	..	2.1	..	48.5	..	54	-39.2 ^a	9.5 ^a
Macedonia, FYR	..	8	..	0.3	..	..	..	..	..	2	..	..
Madagascar	..	..	..	..	..	..	..	..	..	..	..	..
Malawi	..	..	..	..	..	..	..	..	..	..	..	..
Malaysia	48,611	145,445	113.6	136.0	25.4	39.8	24.6	39.8	282	757	-2.9	44.5
Mali	..	..	..	..	..	..	..	..	..	..	..	..
Mauritania	..	..	..	..	..	..	..	..	..	..	..	..
Mauritius	268	1,642	10.1	44.0	0.2	2.4	1.9	2.7	13	41	1.4 ^a	-6.7 ^a
Mexico	32,725	154,044	12.5	23.3	4.6	8.6	44.0	29.0	199	188	-38.9	78.5
Moldova	..	0	..	0.0	..	..	..	..	..	21	..	..
Mongolia	..	40	..	3.8	..	1.6	..	..	..	430	..	..
Morocco	966	13,695	3.7	44.1	0.2	3.9	..	17.6	71	55	28.7	-7.8
Mozambique	..	..	..	..	..	..	..	..	..	..	..	..
Myanmar	..	..	..	..	..	..	..	..	..	..	..	..
Namibia	21	691	0.7	13.9	..	0.4	0.0	0.6	3	14	..	5.3 ^a
Nepal	..	267	..	5.6	..	0.1	..	1.7	..	104	..	..
Netherlands	119,825	603,182	42.2	158.0	14.2	99.3	29.0	70.7	260	212	..	..
New Zealand	8,835	89,373	20.5	169.1	4.5	95.6	17.3	56.2	171	135	..	..
Nicaragua	..	..	..	..	..	..	..	..	..	..	..	..
Niger	..	..	..	..	..	..	..	..	..	..	..	..
Nigeria	1,372	2,940	4.8	7.0	0.0	0.4	0.9	5.1	131	194	-28.5 ^a	-10.3 ^a
Norway	26,130	56,285	22.6	38.6	12.1	29.2	54.4	69.4	112	236	..	..
Oman	1,061	4,302	9.4	29.4	0.9	13.0	12.3	33.8	55	140	..	7.2 ^a
Pakistan	2,850	6,965	7.1	8.5	0.6	14.4	8.7	345.2	487	765	-61.9	37.5
Panama	226	3,347	3.4	36.6	0.0	1.1	0.9	3.8	13	27	..	..
Papua New Guinea	..	..	..	..	..	..	..	..	..	..	..	..
Paraguay	..	312	..	3.6	..	0.2	..	4.3	..	55	..	..
Peru	812	13,392	2.5	18.6	0.3	4.4	19.3	18.6	294	242	-39.3	19.7
Philippines	5,927	48,105	13.4	54.2	2.7	15.3	13.6	46.5	153	226	9.2	0.9
Poland	144	29,577	0.2	12.9	0.0	5.6	89.7	45.8	9	221	-12.3	22.3
Portugal	9,201	62,954	13.3	59.0	2.4	44.6	16.9	93.4	181	135	38.4	38.4
Puerto Rico	..	..	..	..	..	..	..	..	..	..	..	..
Romania	..	873	..	2.7	..	1.6	..	61.5	..	5	-67.7 ^a	-36.5 ^a
Russian Federation	244	72,205	0.0	7.4	..	2.5	..	5.9	13	207	-84.2	284.0



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	Market capitalization				Value traded		Turnover ratio		Listed domestic companies		IFC Investable index	
	\$ millions		% of GDP		% of GDP		value of shares traded as % of capitalization				% change in price index	
	1990	1999	1990	1998	1990	1998	1990	1999	1990	1999	1998	1999
Rwanda	..	..	..	..	..	..	..	..	..	..	..	..
Saudi Arabia	48,213	60,440	40.8	33.0	1.9	10.6	..	28.8	59	73	-26.8 ^a	42.3 ^a
Senegal	..	..	..	..	..	..	..	..	..	..	..	..
Sierra Leone	..	..	..	..	..	..	..	..	..	..	..	..
Singapore	34,308	94,469	93.6	112.0	55.4	60.1	..	50.5	150	321	..	..
Slovak Republic	..	723	..	4.7	..	5.1	..	59.7	..	845	-56.0	-24.2
Slovenia	..	2,180	..	12.5	..	3.6	..	1.6	24	28	19.0 ^a	-3.7 ^a
South Africa	137,540	262,478	122.8	127.6	7.3	43.8	..	34.1	732	668	-30.3	56.1
Spain	111,404	402,180	22.6	72.7	8.3	126.4	..	201.9	427	484	..	..
Sri Lanka	917	1,584	11.4	10.9	0.5	1.8	5.8	12.9	175	239	-29.2	-6.0
Sudan	..	..	..	..	..	..	..	..	..	..	..	..
Sweden	97,929	278,707	42.6	123.1	7.6	89.9	14.9	73.9	258	258	..	..
Switzerland	160,044	689,199	70.1	261.4	29.6	241.8	..	100.8	182	232	..	..
Syrian Arab Republic	..	..	..	..	..	..	..	..	..	..	..	..
Tajikistan	..	..	..	..	..	..	..	..	..	..	..	..
Tanzania	..	..	..	..	..	..	..	..	..	..	..	..
Thailand	23,896	58,365	28.0	31.4	26.8	18.6	92.6	90.6	214	392	34.3	42.3
Togo	..	..	..	..	..	..	..	..	..	..	..	..
Trinidad and Tobago	696	4,367	13.7	61.5	1.1	2.8	10.0	0.9	30	27	17.5 ^a	-3.3 ^a
Tunisia	533	2,706	4.3	11.4	0.2	0.9	3.3	13.3	13	44	-6.4 ^a	16.8 ^a
Turkey	19,065	112,716	12.6	16.9	3.9	34.5	42.5	102.8	110	285	-53.1	254.5
Turkmenistan	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	..	..	..	..	..	..	..	..	..	..	..	..
Ukraine	..	1,121	..	1.3	..	0.1	..	0.3	..	125	-82.3 ^a	20.2 ^a
United Arab Emirates	..	31	..	0.1	..	..	..	..	..	44	..	..
United Kingdom	848,866	2,374,273	87.0	174.9	28.6	86.0	33.3	53.4	1,701	2,399	15.8 ^c	14.5 ^c
United States	3,059,434	13,451,352	55.1	163.4	31.5	159.8	53.4	106.2	6,599	8,450	26.7 ^d	19.5 ^d
Uruguay	..	209	..	1.0	..	0.0	..	1.9	36	19	..	..
Uzbekistan	..	465	..	1.9	..	0.1	..	..	..	..	..	..
Venezuela, RB	8,361	7,471	17.2	8.0	4.6	1.6	43.0	10.2	76	87	-50.5	-12.4
Vietnam	..	..	..	..	..	..	..	..	..	..	..	..
West Bank and Gaza	..	589	..	16.4	..	1.9	..	11.0	..	20	..	..
Yemen, Rep.	..	..	..	..	..	..	..	..	..	..	..	..
Yugoslavia, FR (Serb./Mont.)	..	..	..	..	..	..	..	..	..	..	..	..
Zambia	..	293	..	8.7	..	0.2	..	..	..	8	..	..
Zimbabwe	2,395	2,514	27.3	20.7	0.6	2.6	2.9	12.0	57	70	-58.1	140.6
World	9,398,391 s	27,458,957 s	51.2 w	97.4 w	28.4 w	81.3 w	.. w	86.8 w	25,424 s	47,465 s		
Low income	54,588	375,568	7.5	22.2	3.1	22.1	90.8	99.4	3,446	9,089		
Excl. China & India	16,021	39,058	8.2	13.0	1.7	13.1	..	..	1,011	2,376		
Middle income	430,570	1,084,383	24.0	27.0	9.3	15.0	..	54.6	4,914	15,764		
Lower middle income	176,701	366,196	23.6	29.2	..	9.1	..	20.1	2,455	10,954		
Upper middle income	253,869	718,187	18.1	26.0	8.2	17.6	37.7	69.8	2,459	4,810		
Low & middle income	485,158	1,459,951	19.8	25.6	7.5	17.1	70.4	67.9	8,360	24,853		
East Asia & Pacific	197,109	536,921	21.3	33.0	13.3	30.3	117.2	124.2	1,443	3,702		
Europe & Central Asia	19,065	109,552	2.1	11.8	..	12.1	..	59.2	110	9,071		
Latin America & Carib.	78,470	402,883	7.6	20.8	2.1	10.7	29.9	41.8	1,748	2,166		
Middle East & N. Africa	5,265	113,928	27.8	26.6	1.5	5.8	..	17.9	817	1,619		
South Asia	42,655	113,612	10.6	20.4	5.5	13.4	58.4	64.5	3,231	7,178		
Sub-Saharan Africa	142,594	183,055	52.0	80.3	3.8	26.3	..	19.9	1,011	1,117		
High income	8,913,233	25,999,006	56.0	115.7	31.7	97.5	..	91.6	17,064	22,612		
Europe EMU	1,168,755	4,223,133	22.1	65.4	7.4	57.6	..	109.7	2,485	3,106		

a. Data refer to the IFC Global index. b. Data refer to the Nikkei index. c. Data refer to the FT 100 index. d. Data refer to the S&P 500 index.



Stock markets 5.2

About the data

Financial market development is closely related to an economy's overall development. At low levels of economic development, commercial banks tend to dominate the financial system. As economies grow, specialized financial intermediaries and equity markets develop.

The stock market indicators presented in the table include measures of size (market capitalization and number of listed domestic companies) and liquidity (value traded as a percentage of GDP, and turnover ratio). The comparability of such indicators between countries may be limited by conceptual and statistical weaknesses such as inaccurate reporting and differences in accounting standards. The percentage change in stock market prices in U.S. dollars, from the International Finance Corporation's (IFC) Investable (IFI) and Global (IFCG) country indexes, is an important measure of overall performance. Regulatory and institutional factors that can boost investor confidence, such as the existence of a securities and exchange commission and the quality of investor protection laws, may influence the functioning of stock markets but are not included in this table.

Stock market size can be measured in a number of ways, each of which may produce a different ranking among countries. Market capitalization shows the overall size of the stock market in U.S. dollars and as a percentage of GDP. The number of listed domestic companies is another measure of market size. Market size is positively correlated with the ability to mobilize capital and diversify risk.

Market liquidity, the ability to easily buy and sell securities, is measured by dividing the total value traded by GDP. This indicator complements the market capitalization ratio by showing whether market size is matched by trading. The turnover ratio—the value of shares traded as a percentage of market capitalization—is also a measure of liquidity as well as of transactions costs. (High turnover indicates low transactions costs.) The turnover ratio complements the ratio of value traded to GDP, because turnover is related to the size of the market and the value traded ratio to the size of the economy. A small, liquid market will have a high turnover ratio but a small value traded ratio. Liquidity is an important attribute of stock market development because, in theory, liquid markets improve the allocation of capital and enhance prospects for long-term economic growth. A more comprehensive measure of liquidity would include trading costs and the time and uncertainty in finding a counterpart in settling trades.

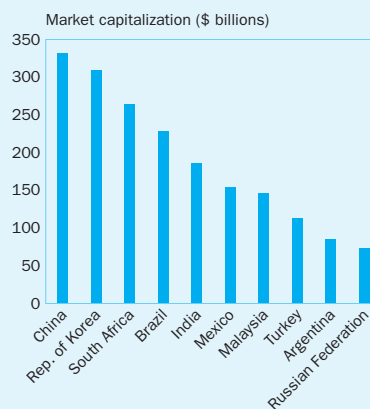
The International Finance Corporation has developed a series of indexes for investors interested in invest-

ing in stock markets in developing countries. At the core of the IFC family of emerging market indexes, the IFCG indexes are intended to represent the most active stocks in the markets they cover and to be the broadest possible indicator of market movements. The IFICI indexes apply the same calculation methodology as the IFCG indexes, but include only a subset of IFCG markets that IFC has determined to be "investable." The indexes are designed to measure returns on emerging market stocks that are legally and practically open to foreign portfolio investment, and they are widely used benchmarks for international portfolio management. The IFCG indexes cover 54 markets, providing regular updates on more than 2,200 stocks, and the IFICI indexes cover 30 markets and more than 1,292 stocks. See Standard & Poor's (2000) for further information on the IFCG and IFICI indexes.

Because markets included in IFC's emerging markets category vary widely in level of development, it is best to look at the entire category to identify the most significant market trends. And it is useful to remember that stock market trends may be distorted by currency conversions, especially when a currency has registered a significant devaluation.

Figure 5.2

The top 10 emerging stock markets in 1999



Source: IFC 1999a.

Market capitalization increased dramatically in some Asian markets between 1998 and 1999—almost 170 percent in the Republic of Korea and more than 40 percent in China.

Definitions

- **Market capitalization** (also known as market value) is the share price times the number of shares outstanding.
- **Value traded** refers to the total value of shares traded during the period.
- **Turnover ratio** is the total value of shares traded during the period divided by the average market capitalization for the period. Average market capitalization is calculated as the average of the end-of-period values for the current period and the previous period.
- **Listed domestic companies** refer to the number of domestically incorporated companies listed on the country's stock exchanges at the end of the year. This indicator does not include investment companies, mutual funds, or other collective investment vehicles.
- **IFC Investable index price change** is the U.S. dollar price change in the stock markets covered by the IFICI country index, supplemented by the IFCG country index.

Data sources

The data on stock markets are from IFC's *Emerging Stock Markets Factbook 1999*, with supplemental data from IFC. IFC collects data through an annual survey of the world's stock exchanges, supplemented by information provided by Reuters and IFC's network of correspondents. IFC's Emerging Market Database was acquired by Standard & Poor's in January 2000. The GDP data are from the World Bank's national accounts data files. *About the data* is based on Demirgüç-Kunt and Levine (1996b).