

Currency unleashed: Handle with care



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The Bangladesh Bank (BB) has, somewhat unexpectedly, reverted to the exchange rate regime announced on December 31, 2024, effectively transitioning the country into a free-floating currency system. Authorised dealers are now permitted to buy and sell foreign currency at freely negotiated rates, allowing the taka to be determined by market forces rather than being pegged or constrained within a fixed range. BB has also repealed the January 2, 2025, circular that imposed a Tk 1 spread between buying and selling rates.

This decision is a pragmatic step, regardless of whether it was motivated by the necessity of meeting IMF program conditions for the 4th and 5th disbursements. The market appears ready to move beyond the previous "crawling peg" system, which maintained a fixed spread and a ceiling on selling rates for authorised dealers. Following the settlement of several accumulated payments in December, conditions in the foreign exchange market improved—remittances surged, imports remained weak, and illicit capital outflows continued slumping. As a result, the policy-imposed spread and ceiling often failed to be binding. BB hardly sold dollars in the market in the last five months.

This shift toward a flexible exchange rate regime represents an opportunity for market participants to adapt to a framework that prioritises responsiveness

to global and local economic factors. It is a bold step signalling confidence in the ability of the market to determine fair and competitive exchange rates without relying on heavy-handed intervention. By tethering less to fixed policies and more to macroeconomic realities, the switch aligns with international practices, providing an avenue for greater integration into the global financial system.

Bangladesh is inherently vulnerable to external shocks, including volatile global commodity prices, economic downturns

businesses and investors to engage in transactions based on actual market conditions rather than depending on BB for foreign exchange access. This leads to more efficient pricing of goods, services, and investments, fostering economic agility. Foreign investors often favour economies with market-driven exchange rates, as they enhance transparency and minimise risks associated with sudden policy-driven currency fluctuations.

Market efficiency cannot be taken for granted. Fortunately, the BB has already

a balance between rate flexibility and pressure on foreign exchange reserves. A flexible system reduces the burden on reserves by allowing the exchange rate to adjust naturally in response to supply or demand fluctuations.

However, if such fluctuations lead to excessive volatility, the need for intervention using official reserves increases. To counter this, BB is committed to employing a market-based intervention strategy designed to deter speculative behaviour and address sudden shortages in foreign currency.

With a flexible exchange rate, BB can now shift its focus toward domestic economic priorities such as inflation control, employment growth, and financial stability instead of continuously defending the currency. That said, effective management of the float requires ongoing vigilance. Several countries—including India, Singapore, Indonesia, and Brazil—have successfully balanced market-driven currency valuation with strategic interventions, providing useful models for Bangladesh to follow. Moreover, Bangladesh's own experience from 2003 to 2022 reinforces the confidence that it can manage this system effectively.

BB should intervene only when necessary, such as during periods of natural disasters or large, unanticipated financial shocks. Maintaining adequate foreign exchange reserves would enable BB to support the taka to cope with such shocks while instilling investor confidence. Regular and transparent communication from the BB on monetary and exchange rate policies would help prevent speculation and panic. Ensuring strong coordination between monetary and fiscal policies would further safeguard against risks associated with currency fluctuations.

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A man counts US dollars in a money exchange shop in Dhaka. PHOTO: AFP/FILE

among major trading partners, and natural disasters. If the BB maintains its commitment to a flexible exchange rate, without abrupt policy reversals seen in the past, the taka can adjust dynamically in response to these external pressures. This shift will reduce the need for constant intervention by BB, alleviating the strain on foreign exchange reserves and removing the complexities of monitoring currency market operations.

A flexible exchange rate empowers

implemented a reporting system that provides foreign exchange transaction data twice daily for transactions of one lakh US dollars or more. This mechanism is now fully operational. Additionally, BB publishes a daily reference benchmark rate, calculated as the weighted average of rates reported by ADs. With no incentive to misreport under the new regime, this would serve as a valuable anchor for setting competitive exchange rates.

Every exchange rate regime must strike

Pubali Bank's profit up 4% in January-March

STAR BUSINESS REPORT

Pubali Bank PLC saw its earnings increase in the first quarter of the financial year 2025.

The bank posted a 4 percent year-on-year rise in profit in the January-March quarter, reaching Tk 185.28 crore, according to its financial statements.

The first quarter follows the Tk 780 crore profit the bank made in the financial year 2024.

Its earnings per share stood at Tk 1.60 for the first quarter, up from Tk 1.54 (restated) in the same period a year earlier.

Its consolidated net operating cash flow per share (NOCFPS) surged to Tk 19.69 from Tk 9.25 (restated) in the same quarter of 2024.

The significant improvement in NOCFPS reflects the bank's strategic focus on high yield lending, fee and commission income diversification, cost optimisation, and digital transformation, the bank said.

It attributed the rise in NOCFPS to increased customer deposits and a rise in other liabilities during the quarter that ended on March 31, 2025.

As of April 30, 2025, the shareholding structure of Pubali Bank stood at: sponsors and directors 31.49 percent, institutional investors 28.77 percent, foreign investors 0.14 percent, and the general public 39.60 percent, according to Dhaka Stock Exchange data.

Bata's profit doubles in Q1

STAR BUSINESS REPORT

Bata Shoe Company (Bangladesh) Ltd's profit doubled in the first quarter of 2025, driven by higher sales and revenue growth.

The shoemaker's profit rose by 100 percent year-on-year to Tk 36.83 crore in the January-March quarter, according to the company's unaudited financial statements.

The company had earlier made a profit of Tk 18.41 crore in Q1 of 2024.

Its earnings per share stood at Tk 26.92 for the first quarter, up from Tk 13.42 in the same quarter of 2024.

Its revenue rose by 28 percent year-on-year to Tk 358.18 crore during the January-March quarter, driven by improved economic conditions and Eid season sales, the footwear maker said in the financial statement.

"Aligned with revenue, the cost of sales increased by 26 percent and operating expenses rose by 12 percent compared to last year," said the leading shoemaker.

Its net finance costs surged by 58 percent year-on-year to Tk 5.28 crore, which the company attributed to lower interest earnings on short-term deposits and foreign exchange losses during the period.

Bata's net operating cash flow per share jumped to Tk 48.06 from Tk 19.95 in the same quarter a year ago.

As of April 30, 2025, sponsors and directors held 70 percent of Bata's shares, institutional investors 19.37 percent, foreign investors 1.30 percent, and the general public 9.33 percent, according to Dhaka Stock Exchange data.

STAR BUSINESS REPORT

The World Bank has approved \$270 million in financing to help Bangladesh recover from the flooding last year and strengthen its resilience to future climate-related disasters.

The funds, approved by the World Bank's Board of Executive Directors on May 14, will support the Bangladesh Sustainable Recovery, Emergency Preparedness and Response (B-STRONG) Project, according to a press release.

The project will focus on rebuilding and climate-proofing flood protection infrastructure in Sylhet and Chattogram divisions, aiming to safeguard 16 lakh people.

It will also promote climate-resilient agriculture and improve livelihoods in flood-affected communities.

"Bangladesh is regarded as a leader in climate change adaptation and disaster preparedness. But the increasing climate risks and more frequent and severe natural disasters take a heavy toll on communities and the economy," said Gayle Martin, interim country director for

Bangladesh at the World Bank.

The project includes constructing or rehabilitating 79 multi-purpose flood shelters that will function as schools during normal times, repairing roads and bridges, restoring embankments, and improving flood forecasting systems.

It will also help communities prepare for future disasters through training, equipment support, and emergency drills. To promote long-term resilience, the initiative will offer temporary jobs, market-relevant skills training, and financial assistance, targeting over 380,000 people.

Additionally, around 65,000 farm households will be supported in adopting climate-smart agricultural technologies, receiving access to quality seeds, machinery, and better irrigation systems.

"B-STRONG provides integrated responses that combine physical and non-physical interventions, ensuring a holistic approach to recovery and resilience building," said Swarna Kazi, senior disaster risk management specialist and task team leader.

Gold falls to more than one-month low

REUTERS

Gold prices dropped to their lowest in more than a month on Thursday as investors waited for a key US inflation print for cues into the Federal Reserve's policy path, while thawing US-China trade tensions dented the bullion's appeal.

Spot gold dipped 1.1 percent to \$3,144.51 an ounce as of 0636 GMT, after hitting its lowest since April 10 earlier in the session.

US gold futures fell 1.3 percent to \$3,146.20.

The US and China agreed to reduce tariffs drastically and adopted a 90-day pause, de-escalating a potentially damaging trade war between the world's two largest economies.

Trump: India has offered US a trade deal with no tariffs

REUTERS

US President Donald Trump said on Thursday that India had offered a trade deal that proposed "no tariffs" for American goods, while expressing his dissatisfaction with Apple's plans to invest in India.

New Delhi is seeking to clinch a trade deal with the US within the 90-day pause announced by Trump on April 9 on tariff hikes for major trading partners.

"It is very hard to sell in India, and they are offering us a deal where basically they are willing to literally charge us no tariffs," Trump said in a meeting with executives in the Qatari capital Doha.

Reuters has reported that New Delhi has offered to reduce duties to zero on 60 percent of tariff lines in a first phase of the deal under negotiation with Washington, while offering preferential access to nearly 90 percent of the merchandise India imports from the US.

India's equity benchmarks jumped to a seven-month high after Trump's comment on the deal with India.

The Indian trade ministry did not reply to a mail seeking comments on the proposed deal.

Trump in Doha said he had confronted

Apple's CEO Tim Cook about shifting production to India, as the American company moves to make most of its iPhones sold in the United States at

factories in India by the end of 2026, and is speeding up those plans to navigate potentially higher tariffs in China.

"Tim, we treated you very good, we put



In this file photo, US President Donald Trump and Indian Prime Minister Narendra Modi shake hands as they attend a joint press conference at the White House in Washington, DC, on February 13.

PHOTO: REUTERS/FILE

Crisis ignored, crisis ensured

MAHTAB UDDIN AHMED

If you place a frog in cold water and gradually heat it, the frog won't react; it just adjusts, thinking "I can handle this". But as the temperature keeps rising, it reaches a point where the frog realises it must escape. Sadly, by then, it's too weak to jump. It didn't die from the heat; it died from not acting in time. That's the "Boiling Frog Syndrome".

In life, we often behave like that frog, tolerating injustice, disrespect, or pain, hoping things will improve. Problems that could have been stopped early grow beyond control. By the time we are ready to react, we are too exhausted, too broken or too old. The lesson? Don't wait until you have no strength left. Set your boundaries, speak up, and protect your self-respect before you end up like the frog that wanted to survive but could not.

The "Boiling Frog Syndrome" is a metaphor, not a proven science. But it reflects human behaviour—we often adapt to worsening situations instead of reacting. In Bangladesh, this is seen in how people tolerate corruption, injustice, workplace exploitation, or poor governance, thinking "it's still manageable". Over time, these problems escalate, and when people finally want to act, they are too drained or powerless or victims of the situation, just like the frog.

Psychological inertia is the tendency to stick to the status quo, even when change would be beneficial, mirroring the "Boiling Frog Syndrome", where people ignore the gradual decline until it's too late. Studies show that this inertia causes individuals to resist change, even when faced with new, opposing facts. A related concept, emotional inertia, refers to staying stuck in the same emotional state. Research links higher emotional inertia to issues like depression and low self-esteem, as individuals struggle to adapt emotionally to shifting situations, worsening their mental well-being over time.

Several studies have explored psychological and emotional inertia—the human tendency to resist change even when beneficial. A study in Psychological Medicine found that individuals with high emotional inertia are more prone to depression and low self-esteem. Another study in Frontiers in Psychology linked brain activity to emotional adaptability, showing a neurological basis for inertia. In Bangladesh, similar patterns are seen in workplace stagnation, poor public health habits, and environmental complacency, highlighting the need for timely action.

In our corporate and political culture, we rarely flinch when injustice happens, as long as it's happening to someone else. A colleague gets disrespected, a friend is sidelined, a relative is mistreated, and we watch silently, hoping the heat won't reach us. But here's the catch: if the water's warming for them, it's only a matter of time before it boils for you, too. This bystander syndrome, masked as "not my problem", is just another form of selfishness. Unlike Bollywood, there's no heroic music cue for someone to step in. If we wait to act only when we are the victim, we will all be cooked together—one silent frog at a time.

To escape the boiling frog fate, we must stop pretending "it's not that bad yet". In Bangladesh, endurance is often mistaken for wisdom. But there's nothing wise about waiting until it's too late to act. Speak up early, demand accountability, track the decline with data, and strengthen your emotional spine. Institutions won't fix themselves, nor will your boss's toxic behaviour. Act while you still have the energy, because you might already be dinner by the time you realise you're boiling.

Timely decisions are not just wise—they're vital. For corporates, acting early means staying competitive, attracting talent, and leading change. In Bangladesh, we don't jump out, form a committee, draft a five-year action plan, and host a workshop on "frog resilience". By the time real action kicks in, we are fully boiled, the budget's gone, and everyone's been promoted. Even frogs here need policy reform to survive.

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up with all the plants you built in China for years ... we are not interested in you building in India, India can take care of themselves, they are doing very well, we want you to build here", Trump recalled himself telling Cook, who was not in the Doha meeting.

India's Prime Minister Narendra Modi has in recent years promoted India as a smartphone manufacturing hub and Apple's suppliers have ramped up production in the country.

In March, Apple's main India suppliers Foxconn and Tata shipped nearly \$2 billion worth of iPhones to the U.S., an all-time high, to bypass Trump's impending tariffs.

The United States is India's largest trading partner, with bilateral trade totalling some \$129 billion in 2024. The trade balance is currently in favour of India, which runs a \$45.7 billion surplus with the US.

India's trade minister Piyush Goyal will lead a trade delegation to the United States starting May 16 to advance trade negotiations, two government officials told Reuters on Tuesday.

India has some of the world's highest tariffs on imports, and Trump has previously called India a "tariff abuser".