Devaluation vs revaluation

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Devaluation and revaluation are official changes in the value of a country's currency relative to other currencies. Devaluation, the deliberate downward adjustment in the official exchange rate, reduces the currency's value; in contrast, a revaluation is an upward change in the currency's value. Devaluation is a reduction in the value of a currency with respect to those goods, services or other monetary units with which that currency can be exchanged. When a government devalues its currency, it is often because the interaction of market forces and policy decisions has made the currency's fixed exchange rate untenable.

A key effect of devaluation is that it makes the domestic currency cheaper relative to other currencies. There are two implications of a devaluation. First, devaluation makes the country's exports relatively less expensive for foreigners. Second, the devaluation makes foreign products relatively more expensive for domestic consumers, thus discouraging imports. This may help to increase the country's exports and decrease imports, and may therefore help to reduce the current account deficit. Revaluation is an upward adjustment in the value of currency with respect to another currency or a benchmark rate of exchange.

Currency revaluation has the ability to redistribute wealth inside of an economy because of the influence of other economies on the marketplace. If a government increases the value of its currency relative to other currencies, businesses with more domestic assets and investments will increase in value more than businesses with more foreign currency assets. Increasing a currency's value can also improve the economic standing of domestic households, providing them with additional purchasing power.