BHARAT SCHOOL OF BANKING
DEVALUATION AND REVALUATION

Devaluation of a country's **currency** means the **deliberate** attempt by the **government** through its **monetary policy** to **decrease** its **value** (currency's) with respect to **foreign currencies.** Note that the **value** is decreased by changing the **foreign exchange rate**.

Conversely, if the **value** is deliberately **increased** by the **government** by changing the **foreign exchange rate** of the **currency**, then it will be **Revaluation** of the currency.

Devaluation vs. Depreciation

Both **Depreciation** and **Devaluation** decreases the **value** of the country's **currency** with respect to other **currencies** (generally a major foreign currency, like **USD,** etc). But the **difference** lies on the driving **factor -**
Depreciation occurs depending on the **market forces** of the world economy, whereas **Devaluation** is the result of **government**'s deliberate attempt to reduce its **value**.

Devaluation vs. Redenomination

If the **face value** of the **currency** is changed (reduced, or increased), **without** changing the **foreign exchange rate**, then it will be known as **Re-denomination.** It is neither a **devaluation** nor a **depreciation**.
Note that for **devaluation** or **depreciation, foreign exchange rate** will be changed.