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FX Outlook 2027: A weak euro in 2027



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EUR/USD

- **We expect EUR/USD to remain weak in 2027 as stronger US growth and French political uncertainty weigh on the euro.**
- **We expect a recovery in 2028 as energy prices fall and growth and yield differences narrow.**

Japanese yen

- **We expect the yen to strengthen gradually as interest rate gaps narrow and energy prices fall in 2027–2028.**
- **Fiscal risks and investors' unwinding positions could cause temporary weakness, despite the yen's significant undervaluation.**

Sterling

- **We expect sterling to remain strong against the euro until mid-2027, supported by resilient UK growth and French political uncertainty.**
- **Some gains should reverse as eurozone uncertainty eases, energy prices fall and markets scale back expectations for UK rate increases.**

Swiss Franc

- **French political uncertainty should support the franc against the euro in the first half of 2027.**
- **Wider interest rate gaps and possible SNB intervention should limit further gains.**

Norwegian krone and Swedish krona

- **We expect NOK to weaken in 2027–2028 as energy prices fall and its interest rate advantage narrows.**
- **SEK's strong fundamentals and undervaluation provide support, but interest rate differences and global growth risks limit near-term gains.**

Dollar bloc

- **Higher rates and easing trade tensions should support the Canadian dollar, but falling energy prices will weigh on the currency.**
- **We expect Australian dollar weakness in 2027, as interest rate support fades and energy prices fall.**
- **Lower energy costs offer support to the New Zealand dollar, but fewer-than-expected rate increases and cautious investors pose risks.**

Chinese yuan, Brazilian real, Polish zloty

- **We expect the Chinese yuan to strengthen on trade surpluses and wider international use.**
- **The Brazilian real could recover as attractive real interest rates and political stabilisation provide support.**
- **The Polish zloty faces continued pressure from political uncertainty, central bank independence concerns and a large fiscal deficit.**

What a difference a year makes for EUR/USD

Why we expected a weaker dollar

On 12 November 2025, we published our FX outlook, “More dollar weakness ahead”. Our call rested on both cyclical and structural arguments. We expected the Federal Reserve to ease monetary policy more than markets anticipated, including additional easing in response to pressure from President Trump. We also expected investors to focus more on the US budget and current account deficits. In addition, we considered the dollar overvalued. A narrowing of the US interest rate advantage over Germany, together with higher German spending, was expected to support the euro. However, concerns about France’s public finances could limit its gains.

The energy shock and AI boom changed the balance

Instead, the euro fell by close to 5% against the US dollar this year. Although investors moved away from the dollar for the reasons we had identified, two developments changed the balance. On 28 February, the US and Israel began a war with Iran, triggering an unprecedented energy shock. This added to the energy market disruption caused by the Russia-Ukraine war. Meanwhile, the US artificial intelligence (AI) boom pushed equity markets to record highs and attracted substantial investment into the US. The Fed also proved less willing to ease policy than we had expected.

Energy exposure, investment flows and rates favoured the dollar

These developments supported the dollar through several channels. The energy shock favoured the currencies of energy-exporting countries, with the US benefitting from ample domestic supplies and its role as an energy exporter. Its contribution to global supply was accompanied by a substantial reduction in oil and petroleum product inventories. Strong AI-related investment and equity market performance added to the appeal of US assets. At the same time, interest rate expectations shifted in the dollar’s favour. Markets increased their expectations for rate rises by all major central banks, but more for the Fed than for the ECB.

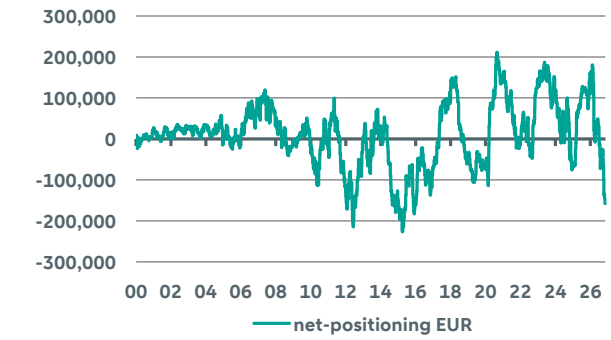
The euro faced the opposite pressure. High energy prices weighed on the eurozone, while concerns about France’s public finances, political uncertainty and civil unrest also led investors to demand higher returns for holding French government bonds. The resulting widening of the gap between French and German bond yields and put further pressure on the euro. Investors’ attention shifted from the US weaknesses underlying our original call towards vulnerabilities elsewhere, particularly dependence on imported energy, weak public finances and political uncertainty.

Wider FR-GE spread hurt euro



Source: Bloomberg, ABN AMRO Group Economics

Speculative community is net short euro



Source: Bloomberg, ABN AMRO Group Economics

More recently, the US mid-term election surprise interrupted this pattern of dollar strength. Investors had held positions favouring a stronger dollar. Although markets expected the Democrats to win the House of Representatives and possibly the Senate, the scale of their projected victory came as a surprise, and the dollar fell. With the Democrats expected to control both chambers of Congress and the Republicans retaining the presidency, investors became concerned about political deadlock and the difficulty of implementing policies.

The experience of 2026 shows that valuation and structural weaknesses were not sufficient to outweigh the forces supporting the dollar. Our new outlook therefore focuses on how quickly those forces fade.

EUR/USD outlook: The euro's recovery will have to wait a little longer

We expect EUR/USD to remain weak in 2027, before recovering in 2028. Below-consensus eurozone growth and French political uncertainty should weigh on the euro next year. Lower energy prices and less Fed tightening than markets currently anticipate should provide some support, but we do not expect these offsets to outweigh the growth and political headwinds in 2027. Our base case therefore combines continued euro weakness with scope for temporary rebounds.

Below-consensus eurozone growth weighs on the euro (see more here)

We expect the US economy to outperform the eurozone in 2027. US growth should benefit from the 'Capex Troika': capital investment in artificial intelligence (AI), defence and clean energy (see more here). Our US growth outlook is in line with consensus, but we expect weaker eurozone growth than the consensus forecast. The difference with consensus is primarily on the eurozone side: disappointment relative to investors' growth expectations should weigh on the euro. We expect this to constrain EUR/USD in 2027, before a narrower gap supports recovery in 2028.

French political uncertainty remains a headwind

French political uncertainty should remain a headwind to a euro recovery in 2027 (see more here). We expect the minority government to pass this year's budget, after which attention will turn to the 2027 presidential elections. Fiscal policy, immigration, pensions, purchasing power, security and defence, and relations with the EU are likely to dominate the debate. The first round is scheduled for 18 April, followed by a two-week run-off campaign and a final round on 2 May 2027. The next question will be whether the new president can secure a majority in the National Assembly to implement the programme. If the president dissolves the Assembly, Article 12 requires new elections within 20–40 days. We also expect Assembly elections in 2027, so political uncertainty is likely to continue well into the year.

However, we think much of this uncertainty is already reflected in market prices. The gap between French and German government bond yields has widened (see chart above on the left), and the euro has weakened. Speculators already hold large positions that would benefit from a weaker euro (see chart above on the right), leaving limited scope for further selling.

Downside risk: Concerns about France leaving the EU

We expect Marine Le Pen to win the presidency. A more negative scenario would arise if she then challenged EU institutions in a way that led investors to worry about a possible French exit from the EU, or 'Frexit'. This is not our base case. In that scenario, the euro could fall towards parity with the US dollar—one dollar per euro—or even below it.

Fed repricing and lower energy prices should provide support

Three factors should help offset these pressures on the euro. First, we expect the European Central Bank (ECB) to raise interest rates at the December and March meetings but with the energy shock fading and the economy weakening, March is looking like a close call, and the risk is that the ECB could pivot to cuts sooner than our current Q4 expectation. We expect for the Fed to hike once more. Our ECB forecast is in line with market expectations, but markets expect one more Fed rate increase than we do. If market expectations move towards our forecast, this should support EUR/USD. Second, we expect energy prices to decline in 2027 and 2028. Lower energy costs should benefit the eurozone more than the US. Third, debt ceiling discussions and concerns about the US budget could weigh on the dollar.

Conclusion: A weak euro in 2027, recovery in 2028

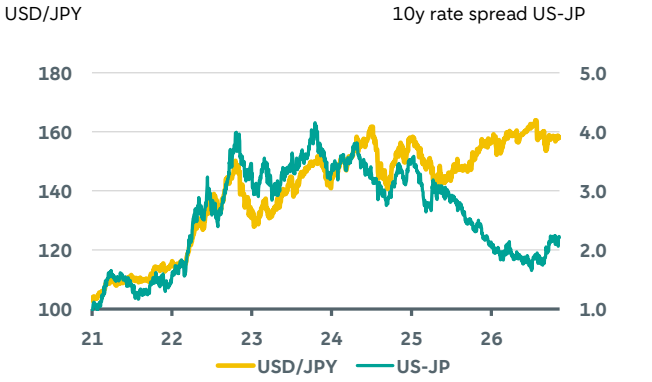
In 2027, we expect weaker eurozone growth and political risks to constrain recovery, despite support form energy prices and Fed repricing. In 2028, the expected narrowing of growth, nominal-yield and real-yield differentials, alongside lower energy prices, should shift that balance towards a EUR/USD recovery.

Japanese yen

2026: Yen weakness prompted coordinated intervention

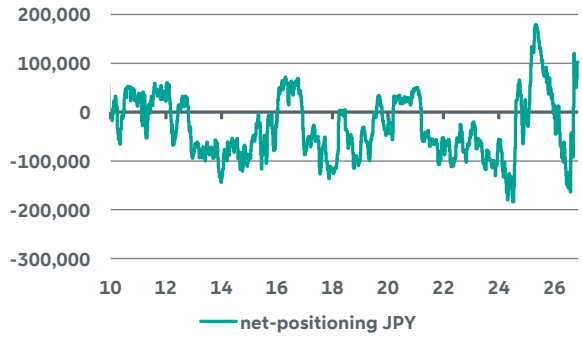
In July 2026, USD/JPY reached levels last seen in 1986, while EUR/JPY reached its highest level since the euro was introduced. The yen is widely considered significantly undervalued, but there are underlying reasons for its weakness. For many years, very low interest rates in Japan have encouraged Japanese investors to seek higher returns abroad. Interest rate gaps also encourage carry trades, in which investors borrow in yen to invest in higher-yielding currencies. More recently, concerns about Japan's economic policy have added to the pressure. Prime Minister Takaichi's emphasis on government spending, alongside pressure on the Bank of Japan not to raise interest rates, had unsettled investors. This helps explain why USD/JPY moved away from the pattern suggested by interest rate differences (see graph below on the left). Japan also imports much of its energy, so higher oil and gas prices increase import costs and weigh on the outlook. At the end of July, the US and Japan intervened together to support the yen. Japan sold USD/JPY, while the US sold EUR/JPY. The US action was unusual and suggests it may have sought to limit the impact on the US Treasury market. Since then, investors have become more cautious about using the yen to fund carry trades and have, at times, bought it as a safe-haven currency.

USD/JPY has diverged from rate spreads



Source: Bloomberg

Speculative positioning in yen



Sources: Bloomberg

What would support a lasting yen recovery?

A lasting recovery in the yen requires three changes. First, Japan's economic outlook needs to improve, supported by greater confidence in its economic policy and a narrower interest rate gap with other major economies. Second, investors need to believe that further substantial yen weakness is unlikely. Third, Japanese investors may conclude more strongly that domestic assets offer a better balance of risk and return than foreign investments. This could have significant implications for global markets, because Japanese investors hold large amounts of foreign bonds, including US Treasuries. The US recognises this risk and has little interest in seeing Japanese investors sell substantial holdings of US government debt and bring the proceeds back to Japan.

Outlook: a gradual recovery in the yen

We expect the yen to strengthen over our forecast horizon. First, we expect the Bank of Japan to continue tightening monetary policy. The pace may be slow, but the direction is clear (also see our Japan update, *The BoJ carries on*). By contrast, we expect the Fed and the ECB to begin cutting interest rates towards the end of 2027 and to continue in 2028. This should narrow Japan's interest rate gaps with both the US and the eurozone. Higher Japanese bond yields could also encourage Japanese investors to invest at home rather than abroad, particularly if the additional returns on foreign assets no longer compensate for the risks and the costs. These developments should make the yen less attractive as a funding currency for carry trades. We also expect energy markets to return to normal and energy prices to fall sharply in 2027 and 2028. This should support the yen against the currencies of energy-exporting countries. Finally, the yen remains the most undervalued major currency. According to the OECD's purchasing power parity measure, it is 62% undervalued against the US dollar and close to 30% undervalued against the euro.

Risks: fiscal policy and speculative positioning

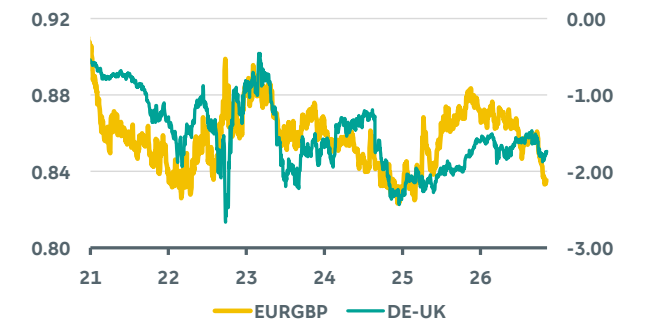
Two developments could still weigh on the yen. Although most of Prime Minister Takaichi's economic policies appear to be reflected in its value, further stimulus and/or a deterioration in public finances could weaken the currency. In addition, speculators hold a substantial net long position in the yen, meaning that their positions overall favour a stronger yen (see graph above). This is unusual when the currency is so weak. If investors unwind these positions, the yen could weaken initially.

Sterling

2026: Resilient growth and higher rates supported sterling

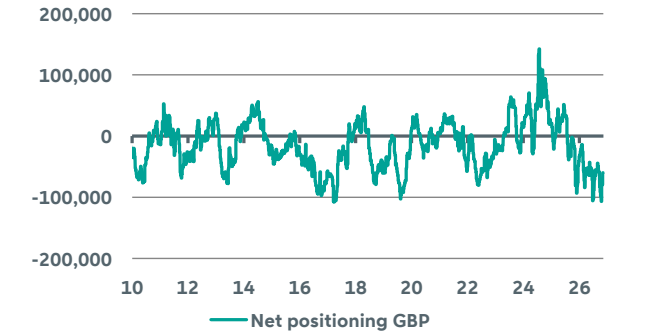
Sterling has performed relatively well in 2026, gaining more than 4% against the euro and falling by only 0.5% against the US dollar, despite periods of political uncertainty and concerns about public finances. As we expected, the change in leadership did not weaken sterling because it did not significantly change the economic outlook. The budget announcement was broadly in line with expectations. The government introduced a series of targeted cost-of-living measures, funded to a significant extent by targeted tax increases. These should ease some of the pressure from high energy prices, but we do not expect them to materially change the economic outlook. Perhaps the biggest surprise was a firmer commitment to reaching defence spending of 3% of GDP in 2030. Overall, conditions have improved for sterling. Growth has remained resilient, and the Bank of England has begun raising interest rates. On 5 November, it raised Bank Rate to 4% and revised its growth and inflation forecasts upwards. Markets have recently adjusted their expectations and now anticipate more rate increases from the Bank of England than from the Fed or the ECB. This has pushed EUR/GBP below 0.8350.

Interest rate spreads influence EUR/GBP



Source: Bloomberg, ABN AMRO Group Economics

Speculators hold large net short positions in sterling



Source: Bloomberg, ABN AMRO Group Economics

UK outlook: Resilient growth and one more rate increase (Bill Diviney)

The honeymoon period for PM Burnham continues, with Labour riding high in the polls. If this continues, it raises risks of a snap election next year. This could open the door to closer UK-EU ties in future, though it is not without risks. The economy has also performed better than expected in recent months. Households have reduced their debt and are in a solid financial position. We expect the primary budget deficit, which excludes interest payments, to narrow from 4% of GDP in 2024 to 1.2% in 2026. The prolonged energy shock is likely to push inflation back above 4% in early 2027, although we expect the peak to be much lower than in 2022-23. Meanwhile, labour shortages are easing, and wage growth has returned to more normal levels. The much looser labour market means that a renewed pickup in wage growth looks much less likely than in 2022-23. We expect the Bank of England to raise interest rates once more in February.

Sterling outlook: Strength against the euro may fade after mid-2027

Sterling is sensitive to interest rate expectations and has performed relatively well during the AI boom and the energy shock. We expect it to remain relatively strong against the euro until mid-2027, before giving back some of its gains. Currency and bond markets are likely to remain focused on political risks in the eurozone, particularly the French presidential elections in April and May 2027. This uncertainty is likely to weigh on the euro.

However, once political uncertainty in the eurozone eases and energy prices fall as we expect, the euro should be able to outperform sterling. Markets also appear to expect too many UK interest rate increases through the third quarter of 2027. If expectations shift towards fewer increases, this should also weigh on sterling.

Notably, speculators hold large net short positions in both the euro and sterling, meaning that their positions overall favour a decline in both currencies.

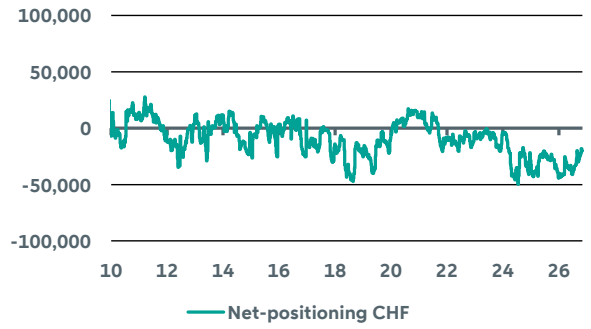
Swiss franc

2026: A mixed year for the Swiss franc

The Swiss franc strengthened against the euro in the first months of 2026. EUR/CHF then traded without a clear trend between March and June, before the franc weakened from June to October. Low inflation made an interest rate increase by the Swiss National Bank (SNB) unlikely, while the European Central Bank (ECB) had already raised its policy rate. Meanwhile, the Japanese yen became riskier to use as a funding currency for carry trades, in which investors borrow in a low-interest-rate currency to invest in a higher-yielding one. Investors increasingly turned to the Swiss franc and Swedish krona as alternatives. As a result, speculators hold net short positions in the franc (see chart below on the right), meaning their positions overall favour a weaker currency. However, the franc recovered as markets became more concerned about political developments in France. Higher-than-expected Swiss inflation figures released on 3 November also provided support. Headline inflation rose from 1% to 1.5% in October, above the expected 1.2%.

Speculators are net-short the Swiss franc

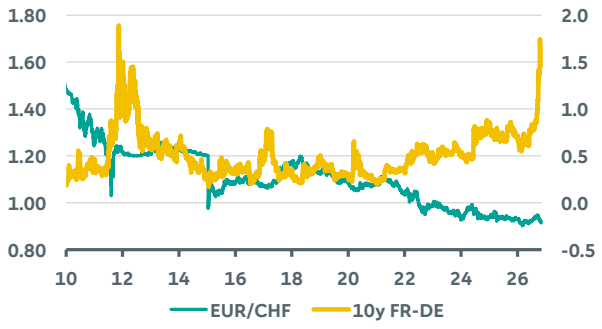
Number of contracts



Source: Bloomberg, ABN AMRO Group Economics

Widening FR-GE spread has weighed on euro vs CHF

EUR/CHF 10y FR-DE



Source: Bloomberg, ABN AMRO Group Economics

Outlook: Regional safe-haven demand should support the franc

We expect the Swiss franc to perform well in the first half of 2027. When investors are concerned about political risks and public finances in the eurozone, they often turn to the franc as a regional safe-haven currency (see chart above on the left). This tends to strengthen it against the euro. Switzerland's large current account surplus and balanced government budget underpin this safe-haven status. Political uncertainty in France is unlikely to ease before mid-2027, which should continue to support the franc.

Interest rate differences and the SNB should limit further gains

However, we expect further gains to be limited for two reasons. First, inflation is within the SNB's target range, making an interest rate increase unlikely in the near term. By contrast, our base case sees two more rate hikes at the December and March meetings, but with the energy shock fading and the economy weakening, March is looking like a close call, and the risk is that the ECB could pivot to cuts sooner than our current Q4 expectation. This should widen the interest rate gap between Germany and Switzerland and support the euro against the franc. Second, the SNB is unlikely to welcome a substantial rise in the franc's value and is willing to intervene in the foreign exchange market if necessary.

Conclusion: Continued support, but limited upside

Overall, the Swiss franc should remain supported as long as investors are concerned about political developments and public finances in the eurozone. However, widening interest rate differences should limit its further gains.

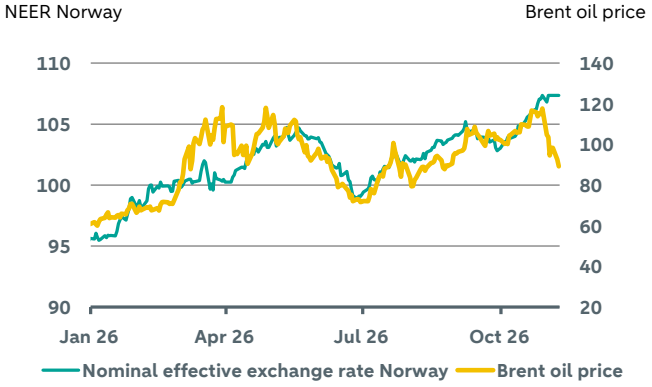
Norwegian krone and Swedish krona

Norwegian krone: Strong in 2026, but support should fade

Conditions have been highly favourable for the Norwegian krone in 2026. So far this year, it has been the strongest-performing major currency, gaining 8% against the US dollar and 12% against the euro. Norway exports oil and gas, so higher demand and prices following the US-Iran war have supported both its economy and its currency. Norges Bank also raised its policy rate from 4% to 4.5% to contain inflation. In addition, Norway has large current account and government budget surpluses and manages its energy revenues prudently.

For 2027 and 2028, we expect a less favourable environment. The krone should remain strong in the near term while energy prices stay elevated. Concerns about politics and public finances in the eurozone could also provide some initial support. However, the krone offers diversification rather than the protection associated with a regional safe-haven currency. It is less actively traded than major currencies and tends to weaken when investors become more cautious. We expect energy prices to fall in 2027 and in 2028, weighing on the krone. We also expect the ECB to raise interest rates twice more, in December and March, while Norges Bank raises rates only once more. This should narrow the interest rate gap between Norway and Germany and put further pressure on the krone. Overall, the conditions that supported the currency in 2026 are unlikely to persist in 2027 and 2028, and we expect it to weaken versus the euro

NOK fortunes linked to oil prices



Source: Bloomberg

EUR/SEK moves in line with rate spreads



Source: Bloomberg

Swedish krona: Limited room to strengthen

The Swedish krona weakened by more than 7% against the euro between the start of 2026 and the end of September. Since then, it has recovered by 3%. The krona generally benefits from strong global trade and growth, rising equity markets and investors' willingness to take risks. It also tends to perform well when the Riksbank raises interest rates faster than the ECB and the Fed. Sweden has a large current account surplus and a relatively small government budget deficit of around 2.5% of GDP. Although the US-Iran war has created considerable uncertainty in financial markets, Sweden's energy mix has made the krona less sensitive to developments in the Middle East. Sweden exports more electricity than it imports, although it imports oil. Renewable energy accounts for 65% of its energy mix, well above the EU average, and its dependence on oil and gas imports is much lower than the EU average.

Interest rate differences help explain why the krona was weak in the first three quarters of this year. As the chart above on the right shows, EUR/SEK moved in line with the gap between German and Swedish 10-year government bond yields. This suggests that interest rate differences have been the main driver of the exchange rate this year. The krona also became an attractive funding currency for carry trades as investors grew more cautious about using the Japanese yen. In these trades, investors borrow in a currency with a low interest rate to invest in a higher-yielding currency. Now that the Riksbank is raising rates again, the krona is likely to become less attractive for this purpose.

Looking ahead, we expect opposing forces to limit both gains and losses in the Swedish krona, leaving little scope for significant near-term strengthening. Sweden's long-term economic fundamentals, including its current account position, remain strong, and the krona appears undervalued. Moreover, the krona will likely to be supported versus the euro by political concerns in France in the first half of 2027. However, we expect the Riksbank to raise interest rates more slowly than the ECB, although it may continue raising them for longer. Sweden also depends heavily on global trade and growth, so a global slowdown would typically weigh on the krona. Like the Norwegian krone, it is less actively traded than major currencies, which means it could fall quickly if investors become more cautious.

Dollar bloc currencies

Canadian dollar: Higher rates should support, but lower energy prices weigh on the CAD

This year, the Canadian dollar has gained 2% against the euro, but has fallen 3% against the US dollar. Like Norway, Canada exports energy and has benefited from strong demand and high energy prices. However, its economy also depends heavily on the US economy, reflecting trade and political relations between the two countries. US import tariffs and retaliatory measures led to an escalation of the trade dispute in September, including product bans. This weakened the economic outlook and weighed on the Canadian dollar, although trade talks have since resumed. After keeping rates unchanged for most of the year, the Bank of Canada raised its policy rate by 25 basis points to 2.5% on 28 October in response to higher inflation. This was its first rate increase in three years.

We expect the Canadian dollar to perform relatively well in 2027 and 2028. The Bank of Canada is likely to continue raising interest rates in 2027, while we expect the Fed and the ECB to start cutting rates towards the end of that year. The Bank of Canada targets inflation of 2%, the midpoint of its 1–3% range, and its mandate also includes maximum sustainable employment. Markets currently expect its policy rate to reach 3.25% by the end of the third quarter of 2027. We also expect the trade dispute to ease and the economy to perform well. However, a substantial fall in energy prices later in 2027 and in 2028 would likely dampen the upside in the Canadian dollar.

Australian dollar: Support from rates and energy exports should fade

The Australian dollar has been the second-best-performing major currency in 2026, after the Norwegian krone. The Reserve Bank of Australia (RBA) has raised interest rates more aggressively this year than many other major central banks, increasing its policy rate five times from 3.60% to 4.85%. Growing interest rate differentials supported the currency, with most of its gains occurring between the start of the year and mid-March. Since then, its interest rate advantage relative to the US has narrowed. This halted the rise in AUD/USD, which has since traded within a wide range. The Australian dollar has continued to strengthen against the euro, although more slowly. Energy exports have also provided support. Australia supplied 18% of global liquefied natural gas (LNG) trade in 2025 and is the world's largest exporter of coking coal. Strong energy demand and high prices have therefore benefited both its economy and its currency.

We expect much of this support to fade in 2027. The RBA may raise rates more than markets currently expect, but we still forecast fewer increases than from the ECB and the same number as from the Fed. Interest rate differences are therefore likely to become less favourable for the Australian dollar or, at best, remain unchanged, even with the Fed and the ECB expected to start cutting rates towards the end of 2027. We also expect energy prices to fall during 2027 and 2028. This should weigh on the Australian dollar, particularly against the euro. Overall, we expect the Australian dollar to end 2027 below its current levels.

New Zealand dollar: Mixed outlook

The New Zealand dollar has strengthened against the euro this year, but weakened against the US dollar, without establishing a clear overall trend. Against the US dollar, it is close to a key support zone that has held since 2022 — a range where previous declines have tended to stop.

The currency generally benefits when investors are willing to take risks, interest rate differences move in its favour, the domestic economy performs well and dairy prices rise. New Zealand is a major dairy exporter, but is a net importer of energy.

The outlook for the New Zealand dollar is mixed. Lower energy prices should support the currency during 2027 and in 2028. The Reserve Bank of New Zealand (RBNZ) is also likely to continue raising interest rates for longer than other central banks. However, markets already expect a further 90 basis points of rate increases by the end of the third quarter of 2027. If the RBNZ raises rates less than markets expect, this would weigh on the currency. Finally, the currency remains sensitive to investor sentiment and is likely to weaken if investors become more cautious.

Chinese yuan, Brazilian real, Polish zloty

Chinese yuan: Trade surpluses and wider international use support further gains

The Chinese yuan has performed strongly this year, gaining more than 4.5% against the US dollar and 10% against the euro. We expected it to strengthen, although the reasons appear somewhat different from those we anticipated. China's trade surplus has increased in 2026, generating more foreign currency receipts that need to be converted into yuan. This has supported demand for the currency and its value. China has also weathered the energy shock relatively well by reducing oil imports, drawing on accumulated reserves, expanding electrification, some diversification back into coal, reducing oil refinery output, and banning exports of oil products. Meanwhile, tensions between the US and China appear to have eased as the US Administration has focused on Iran, Venezuela and the trade dispute with Canada. Chinese authorities have also been more willing to allow the yuan to strengthen. On 4 November, however, the People's Bank of China (PBoC) raised the foreign exchange reserve requirement ratio, requiring banks to hold more foreign currency in reserves. The measure was intended to discourage investors from betting solely on further yuan gains.

We expect the yuan to continue strengthening, supported by trade surpluses and growing demand as its international use expands. The latest data show that its share of allocated foreign exchange reserves rose from 2.8% in the second quarter of 2025 to 3.4% in the second quarter of 2026. The BIS 2025 Triennial Central Bank Survey also shows that the yuan accounted for 8.5% of global foreign exchange turnover, up from 7.0% in 2022. It now ranks fifth, behind sterling at 10.2%. The yuan's share of global trade finance also increased, from 1.7% in 2022 to 8% in early 2026. These trends are likely to continue and should increase demand for the currency. Nevertheless, the yuan remains far from challenging the dollar's dominant international role in the coming years.

Brazilian real: Recovery is possible after the post-election sell-off

Brazil's presidential runoff delivered an unexpected result: incumbent President Lula defeated Flavio Bolsonaro, the son of a former president. Markets had expected a Bolsonaro victory and positioned for reforms to public finances and pensions, privatisation and reform of state-owned companies, lower government spending, a smaller state and clearer rules for managing public finances. When markets opened on the Monday after the election, investors unwound those positions. The real fell, erasing its gains against the US dollar for the year. President Lula now needs to reassure investors that Brazil's public finances can improve. Rising inflation pressures prompted the central bank to pause interest rate cuts and reassess recent developments. We believe the sell-off has been excessive, and we think it is possible that the real will recover. The central bank remains committed to controlling inflation, and interest rates after adjusting for inflation remain very attractive. We also expect the political situation to stabilise.

Polish złoty: Political uncertainty and fiscal risks weigh on the outlook

After several years of gains, the Polish złoty has weakened in 2026. It is around 4% lower against the euro than at the start of the year. Interest rate expectations in Poland and the eurozone have been an important driver of EUR/PLN. Whereas the ECB hiked its policy rate again this year, the National Bank of Poland (NBP) kept its policy rate at 3.75% since March. Its medium-term inflation target is 2.5%, with a tolerance range of one percentage point above or below that level. Another key factor behind zloty weakness is the political and constitutional crisis. Donald Tusk's government has been pursuing a case against NBP Governor Glapiński, whose second term runs until June 2028. Parliament is expected to vote later this month on whether he should face trial for alleged political interference before the 2023 election. Moody's downgraded Poland to A3 in September 2026 (the first downgrade of a major rating agency in a decade), while Fitch placed Poland on a negative outlook in August.

The outlook for the złoty remains uncertain. Much will depend on the central bank's response to rising inflation risks and the course of the constitutional crisis. The crisis could threaten the central bank's independence ahead of parliamentary elections due in late 2027. Poland also has a large fiscal deficit of more than 7% of GDP. Renewed investor concern about fiscal deficits would therefore likely weaken the currency. If the situation deteriorates, further credit rating downgrades could add to the pressure. Overall, we expect these risks to keep the złoty under pressure.

Our FX forecasts

Our FX forecasts										
	10-Nov	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	Q1 2028	Q2 2028	Q3 2028	Q4 2028
EUR/USD	1.1185	1.10	1.10	1.10	1.11	1.12	1.14	1.16	1.17	1.18
USD/JPY	158.64	158	156	155	154	152	150	148	146	145
EUR/JPY	177.44	174	172	171	171	170	171	172	171	171
GBP/USD	1.3386	1.35	1.35	1.35	1.35	1.34	1.35	1.36	1.38	1.40
EUR/GBP	0.8355	0.81	0.81	0.81	0.82	0.84	0.84	0.85	0.85	0.84
USD/CHF	0.8237	0.82	0.82	0.82	0.82	0.81	0.81	0.79	0.79	0.79
EUR/CHF	0.9213	0.90	0.90	0.90	0.91	0.91	0.92	0.92	0.93	0.93
AUD/USD	0.6875	0.70	0.70	0.69	0.68	0.68	0.68	0.68	0.68	0.68
EUR/AUD	1.6269	1.57	1.57	1.59	1.63	1.65	1.68	1.71	1.72	1.74
NZD/USD	0.5609	0.56	0.56	0.57	0.58	0.59	0.60	0.60	0.61	0.62
EUR/NZD	1.9939	1.96	1.96	1.93	1.91	1.90	1.90	1.93	1.92	1.90
USD/CAD	1.4163	1.39	1.39	1.38	1.37	1.36	1.34	1.32	1.30	1.28
EUR/CAD	1.5841	1.53	1.53	1.52	1.52	1.52	1.53	1.53	1.52	1.51
USD/SEK	9.8456	10.00	9.91	9.73	9.64	9.55	9.39	9.14	9.06	8.98
EUR/SEK	11.0120	11.00	10.90	10.70	10.70	10.70	10.70	10.60	10.60	10.60
EUR/NOK	10.6238	10.50	10.50	10.60	10.80	11.00	11.10	11.20	11.40	11.50
USD/NOK	9.4985	9.55	9.55	9.64	9.73	9.82	9.74	9.66	9.74	9.75
EUR/DKK	7.4754	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45
USD/CNY	6.6754	6.70	6.70	6.70	6.65	6.60	6.60	6.55	6.55	6.50
EUR/CNY	7.4664	7.37	7.37	7.37	7.38	7.39	7.52	7.60	7.66	7.67
EUR/PLN	4.3942	4.40	4.40	4.60	4.70	4.80	4.80	4.70	4.65	4.60
USD/BRL	5.5900	5.40	5.40	5.30	5.25	5.20	5.20	5.15	5.15	5.10

Source: ABN AMRO Group Economics

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