The only constraint rising again is labour

Of the four production constraints European industrial firms report, three fell in July 2026. Only the labour shortage rose, to 17.1%. In construction it stands at 28.5%.

Summary

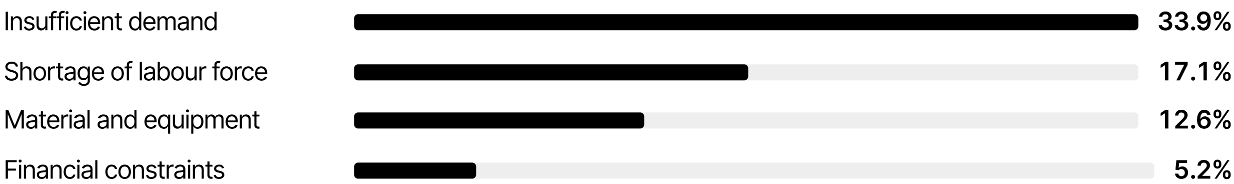
Every quarter the European Commission asks firms what limits their production. In July 2026 three of the four constraints in industry fell: insufficient demand to 33.9%, the lowest since July 2023, material shortages to 12.6% and financial constraints to 5.2%. Only the shortage of labour rose, by 0.6 points to 17.1%. In construction, 28.5% of firms called the labour shortage a constraint in December 2025, nearly as many as the 31.0% naming insufficient demand. The economy is picking up, and the first thing that pinches then is staff.

Vacancy statistics measure the demand side of scarcity a quarter late. A faster thermometer exists: the European business survey asks firms directly, every quarter, what limits their production. This paper reads the July 2026 measurement and what it says about direction.

Three constraints fall, one rises

Of European industrial firms, 33.9% named insufficient demand as a constraint on production in July 2026, the lowest level since July 2023. Material and equipment shortages sank to 12.6% and financial constraints to 5.2%.

17.1% of European industrial firms call the labour shortage a production constraint



Share of EU industrial firms naming the factor as a production constraint, July 2026. European Commission, business survey release of 30 July 2026.

One factor moved against the current: the shortage of labour rose by 0.6 points to 17.1%. It was the only constraint that increased in July.

Construction already sits at double

Industry is not the tightest sector, only the best measured. In construction, where the question is asked monthly, 28.5% of European firms named the labour shortage a constraint on activity in December 2025, just under the 31.0% naming insufficient demand.

In construction, then, the demand shortfall and the staff shortage compete for first place, while industry still has demand well on top. That squares with what this library found earlier in the vacancy rates: construction is the sector where tightness barely receded after 2022.

Why this thermometer matters

The July pattern fits a market turning up. In the same measurement, firms' employment expectations rose sharply in every sector. When the demand constraint melts and firms want to produce and hire again, staff becomes the first ceiling once more, before the vacancy statistics can show it.

That makes this series an early signal. The July survey runs months ahead of the vacancy figures for the same quarter. Whoever waits for the vacancy rate to see the market tightening again reads it here first.

What this measurement is not

- It is sentiment, not a count. Firms tick constraints; no vacancy or person is counted, and multiple answers are allowed.
- Industry and construction are not the whole economy. Services do not get the question in the same form, so no economy-wide constraint figure exists here.
- A rise of 0.6 points is one quarter's movement. The direction is the signal; the 17.1% level remains far below the peak years of the tight market.
- These are European totals. A Dutch split exists in the underlying data but was not separately read here.

What this means

- **The quotable number.** In July 2026, of the four measured production constraints in European industry, only the labour shortage rose, to 17.1%. In construction it stood at 28.5% in December 2025.
- **The next round of tightness announces itself.** Demand constraints melt and labour rises as a constraint. Whoever builds workforce planning on today's vacancy figures plans for yesterday's market.
- **Construction is the leading edge.** There, staff is already nearly the largest constraint. The sector order of the previous tight round repeats.
- **Use it as an early signal.** The survey appears monthly, with quarterly depth, months ahead of labour market statistics. For timing recruitment and rates, that is a head start.

Method and sources

The industry figures come from the European Commission's business survey release of 30 July 2026, the quarterly question on factors limiting production, EU total. The construction figures come from the December 2025 monthly edition of the same survey. Both releases were read directly and retrieved on 1 September 2026; the publications are under European Union copyright and are summarised, not reproduced.

The survey is the harmonised programme of business and consumer surveys the Commission runs monthly, with quarterly questions in January, April, July and October. Percentages are shares of firms ticking a factor; multiple factors are allowed, so shares do not sum to 100. What is missing here: the Dutch country split and the long series back to the 2022 peak, which sit in the Commission's data files but were not separately extracted for this paper; the comparison with that peak is deliberately left out for that reason.

Europe, Shortage, All markets, Construction, Industry

Sources

- Europese Commissie, Business and consumer survey results, juli 2026
- Europese Commissie, Business and consumer survey results, december 2025