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Machinery Order Backlogs Reach a Record High: What Is Behind the Increase, and What Are the Implications?

Machinery orders have less meaningfulness as a leading indicator for machinery investment amid Concentration in Certain Types of Orders

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Summary

- Machinery order backlogs have recently reached a record high, and even in real terms they have been on an upward trend since the second half of 2023. A trial calculation of the contribution to the increase in order backlogs since January 2023 by machinery type and by demand sector shows that the top 10 categories alone account for around 60% of the total increase. This suggests that orders have been concentrated in certain categories, making machinery manufacturers handling such orders more likely to face capacity constraints, including labor shortages, thereby contributing to the rise in order backlogs.
- When machinery order backlogs by machine type are classified into three groups—short-term, medium-term, and long-term—based on the length of the lag from order receipt to sales, the share of short-term machinery has gradually declined, while the shares of medium- and long-term machinery have risen. As a result, the average lag has also increased. This likely indicates that the growing share of machinery types with longer lags from orders to sales has also been one factor pushing up overall order backlogs.
- In a situation where machinery order backlogs continue to increase, the gradual fulfillment of these backlogs can be expected to support business fixed investment over an extended period. On the other hand, machinery manufacturers may become increasingly occupied with working through existing backlogs, potentially limiting their ability to respond to new orders. Moreover, as order backlogs have accumulated, the meaningfulness of machinery orders as a leading indicator for machinery investment

appears to have declined. It is therefore advisable to monitor not only machinery orders received, but also sales and order backlogs.
