Memory Market Future Scenarios

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In August 2025, many memory and investing experts got together at FMS conference. The HBM boom was in progress, and we all forecast what with thought about the memory market.

Overall Revenue growth for memory was forecast at 20-40% in 2026. Most people felt there would be a “lull” for 6 months then a recovery in Q2-Q4. No one predicted growth in bits or prices over 40% YoY.

Then in September, every AI company, Hyperscaler company finalized capex plans for 2026. Then numbers started to leak out….. we were all very wrong. They were not going to digest…. They were going to dramatically increase spending and AI capacity. They didn’t care how much it cost. It was a battle to win the war of AI hardware. Money is not object

Analysts, including myself published numbers saying “maybe memory prices will go up 60%” in Q1 2026…. And then another 30% after that” . Memory prices went up 60% in Q4, then 80%, then 80% again QoQ. Its not HBM pricing. DDR has same margins now as HBM. Sandisk is seeing same increases just in NAND. All memory

So here we stand with memory companies being the among the most profitable, most valuable companies in the world and controlling AI shipments with their decisions.

Any number of complex things could happen. To model the future, I am going to over-simplify the past that led us here … and then use that to predict potential scenarios for the future .

What happened:

AI companies decided to double AI servers. Memory companies did not see this coming

AI companies decided that money is no object. The returns will come in the future.

They bid up memory prices…. 3x price??? Sure! As long they get capacity. AI companies want way more…. And are told they cannot have it…. So they up the bid more.

Phone and PC companies need to increase pricing to get any capacity. They reluctantly go along (I was not sure this would happen).

Overall Bit growth will be ~20% YoY in 2025, 2026, 2027. If you want more, you need to outbid others.

For 30 years a financial fact kept these price explosions from continuing…. Demand destruction. But AI people do not care about the price and PC/Phone people need to survive. People can survive with 16G in a PC instead of 32 or 64 …so no one is starving.

So when does this end?

Bit growth is still 20% CAGR. AI companies need to live with that, PC/Phone companies need to live with that. 100% more bits are not coming in 2027.

We have tons more AI servers and capacity. While not sufficient, is it good enough for now?

Is all the spending actually affordable? Short answer is yes. Google, Meta, Amazon, Microsoft have tons of money and are making tons of profits.

We want 50% more capacity each year. Can we live with 25% more? Need to decide.

Three Scenarios

Scenario 1: Growth, prices, and profits continue to skyrocket. ASPs up 40%+ QoQ. Money keeps flowing in. No real slowdown and we absorb the big memory capacity additions in 2028-2030. Continues through 2030

Scenario 2: Everyone has accepted the shortage, high prices, long term contracts. Panic is over…. We wanted to grow more but we cannot. Lets accept this, maximize profits and customer support and come up with a rational growth that memory companies can support.

Scenario 3: It's a bubble. We built capacity, we do not need more. Companies cannot afford it. We need to "Digest" what we have for a while. Growth stops. Half the world says "I told you so" other half says "no one saw this coming"

There are lots of more complex options I can review. Let's look at impacts of these 3:

1) **Continuation**: Boom continues for another 5+ years, demand in insatiable. Memory companies make lots more memory and sell it at same price or higher. Micron stock hits 2000. If AI companies fail, the larger successful companies just one add more capacity with no industry downturn.

2) **The New Normal**: everyone accepts to prices, limitations, limited future growth and adjusts end market model (number of servers, PCs, Phone and how much memory they have). Price increases drop below 20% QoQ. This happens in the next 12 months. Memory companies focus is to preserver 75% margin as the new normal.

3) **The AI Bubble Crash**: AI companies realize there is no return on the investment. Stockholders and investors hold back money. The circle of deals between people selling them chips then investing the money back into them and buying servers back stops. We have enough AI capacity…. Lets stop building and see what to do with it. Stock prices drop 30%…. that panics people…. They sell to cash in diminishing profits. We get the reverse of Sept 2025-August 2026. New fabs are delayed. Note: the likely cause of this would be to have new fab capacity come online as it means AI companies can always get immediate capacity if they decide to grow again

In my opinion, Scenario 2 is likely and is happening now until the end of the year. We have a new incredibly profitable normal and people are accepting that and adjusting. Memory companies need to lock this in and never go back. AI companies need to plan around this and execute to the new normal without demanding "give me what I want". No crash, no insane growth after 2026

Scenario 1 is predicted by some. But that feels like the hype cycle. It will grow fast forever with no end in sight…. And the end surprises everyone. Just keep looking at AI capacity builds and if they continue and memory supply keeps up ….. may it continues.

Scenario 3 is predicted by some to be coming soon. It requires a couple triggers and a slow reaction. In 2022, Companies slowed purchases but memory companies said "it's a short term issue, the server market is still strong". Then Server companies went into digestion, then people stopped buying memory because the suppliers had extra capacity (why have inventory, when the lead time is 2 weeks). Unlikely in 2026… but after that memory capacity will come online. No need to keep inventory when Samsung is adding 50% more bits. Then if there is excess capacity, those Long term agreements need to be torn up . Spot market overflows. Again, needs multiple triggers (a couple hyperscalers delay, builds put on hold), slow reaction by memory suppliers (we are building fabs anyway)

One item that can affect all scenarios….. other constraints. Could be supply of wafers, helium, etchers, scanners. Could be government limiting AI Datacenters. Could be tariffs, embargos, or positive agreements with China. IMO IRAN war, Gas prices, 2026 Elections don't matter.

As always, I have numbers, excel spreadsheet, and research (talking to people involved …. not AI summaries).

I will be at Future of Memory and Storage Aug 3-7. Contact me to set up meeting or Zoom.

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