

Howl at the Moon

The Gray Wolf Financial Market Update

The AI Generated DRAM Shortage : The Ripple Effects it is Causing in the IT Sector

Monday, March 9, 2026

The demand for increased AI infrastructure has reached a fever pitch and manufacturers are struggling to keep up. Chip manufacturers like SK Hynix and Samsung (which collectively make up 70% of the DRAM market) have had to reallocate wafer capacity from standard DRAM memory to High-Bandwidth memory (HBM) or high performance DDR5 options.

This reallocation has created a significant shortage in standard DRAM supply which is affecting almost every sector across IT. While price increases on personal PCs and smartphones are receiving the bulk of the attention from the media, enterprise procurement teams are seeing ripple effects across data center infrastructure, Cloud Services, and even networking.

Consumer Electronics

- Historically, memory has represented roughly 3% to 5% of a PC's overall cost structure. However, with the recent memory shortages, OEMs are reporting that memory now represents 13% to 17% of a configuration's overall price.
- This sharp increase has forced upper tier manufacturers like Dell, Lenovo, and HP to pass on price increase of 15% to 20% and are even restructuring current agreements to account for the price hikes and lead time issues.

Data Center Infrastructure

- Much like the consumer electronics space, server and storage manufacturers are warning of double-digit price increases that will most likely continue to evolve into 2027. Along with continued price hikes, inventory levels that peaked during the post-pandemic surplus are dwindling, leading to significant lead time issues.

Cloud Services

- Hyperscalers like AWS, Azure, and Google Cloud are dealing with server DRAM price hikes of up to 90% in Q1 of 2026 and are beginning to pass these costs along to enterprise clients in the form of VM and instance price adjustments.

Networking

- While compute heavy hardware is obviously seeing significant impact from this shift in demand and subsequent supply shortage, networking equipment like routers and switches still use standard DRAM modules and are also seeing price hikes. Increases in the 8% to 17% range are expected throughout 2026, with relief most likely not coming until mid to late 2027.



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Contract Restructuring

Beyond affecting specific hardware sectors, the DRAM shortage is prompting aggressive moves from manufacturers and resellers. In recent months, GWF has seen multiple cases of vendors canceling purchase agreements and renegotiating at much higher prices. That is becoming an industry-wide trend that's placing additional strain on already tight budgets.

The DRAM shortage is a highly fluid situation marked by rapid price volatility, shifting supply allocations, and ongoing adjustments by manufacturers. GWF is continuing to keep an eye on the situation as it continues to evolve and progress.

