Consumer electronics: AI-driven memory demand worsens sector risk | Credendo

Memory shortages and rising memory costs pressure consumer electronics supply chains

The global electronics sector is in a more fragile risk position than in 2025. This deterioration is mainly driven by the reallocation of memory capacity towards highly profitable data-centre demand related to booming artificial intelligence (AI), absorbing supply that would typically serve PCs, smartphones and other consumer electronics. This factor has been compounded by the logistics and input shock from the Strait of Hormuz closure, which has tightened supplies of printed circuit boards (PCBs) and helium, a critical semiconductor input produced in only a few countries, including Qatar.

These factors are causing memory shortages and sharp increases in memory-chip prices, which have multiplied several times over the past year. Part of this cost pressure is being passed on to consumer electronics, while input delivery delays, longer lead times for lower-end devices, working-capital pressure from forward buying, and weaker demand from price-sensitive consumers are adding further strain along the whole supply chain up to end consumers.

Following this increase in product prices, demand reactions vary by segment. Premium devices and corporate products remain relatively resilient, while entry-level smartphones, household PCs and lower-margin accessories face stronger pressure. Higher device prices are likely to lead to extended lifecycles for both business and consumer PCs, while the smartphone market has entered a challenging phase due to memory-driven inflation. Demand and shipments are therefore declining. According to the International Data Corporation (IDC), global smartphone shipments already decreased by 2.9% year-on-year in the first quarter of 2026, breaking the 10-quarter growth trend that the market had seen since mid-2023.

For retailers and wholesalers, whose business models rely on scale, rapid inventory turnover and tight margin management, this represents a significant deterioration. The downturn is leading to weaker unit sales, higher average selling prices with weaker margins and more selective distribution channels.

AI-related demand prospects for chips further weaken the outlook

AI is becoming the main driver of memory-chip demand. For memory manufacturers such as SK hynix, Samsung, Micron and KIOXIA, among others, AI does not only drive demand for specialised high-bandwidth Memory (HBM) chips. It also increases demand for conventional server DRAM and enterprise NAND flash, because every new AI data centre requires both computing memory and storage infrastructure. The strongest growth is currently in HBM, but DRAM and enterprise SSDs, both of which use memory chips, are also benefiting from hyperscale AI investment.

As AI accelerates data-centre buildout – potentially accounting for half of data-centre workloads by 2030, up from 25% in 2025 – the global data-centre sector benefits from a strong growth outlook. Between 2026 and 2030, global data centre capacity is expected to double. This expansion will be driven mainly by hyperscale cloud growth and AI demand, although power availability is becoming a key constraint on future capacity additions.

With AI demand and data-centre buildout expected to continue expanding strongly in the coming years, memory-chip suppliers will face exceptionally high demand and a growing share of memory capacity is likely to be redirected towards data centres. Of the capacity allocated to consumer electronics in 2026, a double-digit share is expected to shift to data centres in 2027. As a result, global consumer electronics products are likely to face stronger headwinds in the coming quarters, with supply constraints lowering shipments and higher product prices weakening demand.

The slowdown in consumer electronics demand observed in the first quarter of this year may therefore be only a mild precursor of what lies ahead in 2026, as supply constraints around memory and price increases further dampen market growth. The global PC market is set for a turbulent second half of 2026, with no quick fix in sight. IDC forecasts that global PC shipments will decline by more than 10% for the full year, with conditions worsening progressively through Q4. The global smartphone market is also heading for its steepest annual contraction on record.

The one-year risk profile of companies operating in the consumer electronics sector is therefore worsening. The sector should remain functional, but credit conditions are weaker than last year, with continued margin pressure in the mass market and elevated working-capital needs. A normalisation of flows through the Strait of Hormuz would ease supply tensions only marginally. Although the closure has constrained helium and PCB supplies, the shortage remains mainly driven by demand growing much faster than supply. Efforts to expand memory-chip production should eventually provide relief, but adding capacity takes time: new chip manufacturing facilities typically require two to three years to build and are unlikely to deliver significant additional supply before 2027 at the earliest. As a result, the memory-chip shortage is expected to remain severe through 2027, keeping the consumer electronics sector – particularly retailers and wholesalers – under pressure at least until then.

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