



AI Inflation

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The overall inflation rate has settled down to somewhere between 2.6% and 2.7%. But an unsettling trend might be building higher costs into our economy in two fundamental areas.

The first area, which you may have already noticed, is electricity rates. Between 2020 and 2024, residential electricity prices in the U.S. increased by 25%—and since then the price hikes have taken off even faster in certain parts of the country. Those areas where it can be shocking to open your utility bill happen to be locations where giant tech companies have built data centers, which have a seemingly unlimited thirst for drinking at the power grid.

According to a study published in early January by researchers at Yale University, residential consumers were paying less than 3 cents a kilowatt hour for their electrical consumption in 2008. Today the average is above 9 cents. Part of the increase comes from power companies having to build more generation facilities and upgrading their grid to handle more demand from their new data center customers. And, because they are bulk purchasers, the data facilities are able to negotiate dramatically lower rates than ‘captive ratepayers’ who have no leverage and no choice but to be customers of their local monopoly utility.

The Yale study found that data centers pay an average negotiated rate of 3 cents a kilowatt hour, up just 3% since 2022. And since Big Tech is aggressively constructing data centers around the country, it’s highly likely that the competition between residential and data center consumers will heat up faster in the future than it has in the past, leading to even greater increases in residential rates and a wider disparity between electricity haves and have-nots.

Meanwhile, the AI tech companies are also driving up prices of smartphones, tablets, laptops—and even automobiles—by competing aggressively for memory chips.

The AI divisions of tech firms are offering premium prices to dynamic random-access memory (DRAM) manufacturers, giving them incentives to shift their production from the memory chips used in everyday devices to high-bandwidth memory (HBM) needed for AI chips. The three largest memory makers—SK Hynix, Inc., Micron Technology and Samsung Electronics—are

now chasing those higher margins, causing the world to slip into what has become a dire global shortage of memory chips for the rest of us. This shortage is projected to increase this year and beyond.

The result: higher costs built into smartphones, laptops etc. Their memory chips cost \$255 as recently as the third quarter of last year but now are estimated to set the manufacturers back \$700 early this year. Bloomberg Intelligence forecasts that PCs and smartphones will be 20% more expensive simply as a result of this chip pricing dynamic—with fewer units manufactured. At the same time, auto makers have been challenged to source the chips they need to meet production targets.

Will this impact on the inflation rate? Absolutely. By how much? For electronics consumers and the kind of people who buy higher-end cars, the impact could be dramatic. For others, the biggest impact could be soaring electric bills, and the possibility that there will eventually be serious strains and breakdowns of the electrical grid in certain areas of the country.

Sources:

<https://yaleclimateconnections.org/2026/01/home-electricity-bills-are-skyrocketing-for-data-centers-not-so-much/>

<https://www.advisorperspectives.com/articles/2026/01/28/ai-memory-crunch-coming-wallet>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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