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FM THE SITUATION ROOM//TOHAK 38//

TO BARBIAN/GOVEY FOR THE SECRETARY

T O P S E C R E T SENSITIVE EYES ONLY CONTAINS CODEWORD

VIA BLACK PATCH WH60262

TOHAK 38

FEBRUARY 23, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: BRENT SCOWCROFT
SUBJECT: INFORMATION ITEM

SOVIET INDUSTRY: 1975 PERFORMANCE: CIA REPORTS THAT SOVIET INDUSTRY RANG DOWN THE CURTAIN ON THE NINTH FIVE-YEAR PLAN WITH A GROWTH RATE OF NEARLY SEVEN PERCENT IN 1975 -- AS IN 1973 AND 1974, A RELATIVELY GOOD SHOWING. LAST YEAR'S OVERALL ACHIEVEMENT WAS BUDYED BY SUBSTANTIAL INCREASES IN THE INDUSTRIAL MATERIALS SECTOR BUT MASKS A DISMAL PERFORMANCE IN THE CONSUMER BRANCHED. THE CONVERSION OF LAST YEAR'S GROWTH IN INDUSTRIAL MATERIALS INTO FINAL GOODS IN 1976 MAY PARTIALLY OFFSET AN EXPECTED STAGNATION THIS YEAR IN SOFT GOODS AND PROCESSED FOODS -- THE TWO SECTORS MOST DEPENDENT ON AGRICULTURAL RAW MATERIALS. THE BRUNT OF THE 1975 HARVEST DISASTER WILL NOT BE FELT UNTIL LATER THIS YEAR.

MORI/CDF per C03204706

2.5 PERCENT GROWTH IN PRODUCTION OF CONSUMER NONDURABLES -- PROCESSED FOODS AND SOFT GOODS -- WAS BELOW AVERAGE FOR THE 1971-75 PERIOD, PARTLY BECAUSE OF A DECLINE IN FARM OUTPUT IN 1974. THE 2.7 PERCENT INCREASE IN PROCESSED FOOD PRODUCTION MARKS THE LOWEST GROWTH RATE SINCE WORLD WAR II. EVEN THE USUALLY RAPIDLY GROWING CONSUMER AND PRODUCER DURABLES SECTORS FELL BELOW THEIR 1971-75 AVERAGE GROWTH RATES. MANY TYPES OF MACHINERY FAILED TO REACH THEIR 1975 PRODUCTION TARGETS, PARTLY BECAUSE OF INADEQUATE SUPPLIES OF METAL PRODUCTS. LARGE DECLINES IN GROWTH ALSO WERE REGISTERED IN AUTOS, AGRICULTURAL MACHINERY, AND FORGE PRESS MACHINES. THE

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

***** WMSR COMMENT *****

SDO, SECFLC (4)

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DROP IN AUTOMOBILE GROWTH REFLECTS PRIMARILY THE LACK OF PLANNED ADDITIONS TO NEW CAPACITY IN 1975. ON THE OTHER HAND, SUBSTANTIAL GAINS WERE MADE IN EVERY BRANCH OF INDUSTRIAL MATERIALS EXCEPT ELECTRICITY AND CONSTRUCTION.

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