Business Around the Clock

Email: bh24feedback@zimpapers.co.zw Feedback: bh24admin@zimpapers.co.zw

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# 'Borrowing can create fiscal space, but....'

**By Tawanda Musarurwa**

**HARARE** – External borrowing is one option that Zimbabwe has to boost its fiscal space, but prior experiences in Sub Saharan Africa has not all been positive, an expert has said.

At present Zimbabwe's fiscal space is extremely constrained, with civil service wages gobbling around 96, 8 percent of total revenues, effectively constraining capital expenditure on critical infrastructure and economic projects.

According to MEFMI executive director Dr Caleb Fundanga, using borrowing to increase fiscal space has

Dr Caleb Fundanga

both positives and negatives.

"Generally, borrowing can create fiscal space and we have seen for instance that between 2004 and 2016, Mozambique borrowed around $1 billion and that's the time when the economy started to grow by between 7 and 8 percent annually. It was able to do this after getting debt relief and we have seen a number of countries that has done this, " he said.

In the region countries including Ghana, Zambia, Uganda and Rwanda, among others, have followed this route.


However Dr Funanga cautioned:

"But I must warn here that the results from this heavy borrowing by countries that achieved debt relief has been mixed, for example Zambia is slipping into heavy indebtedness again."

He was speaking at a high-level Macroeconomic seminar for enhancing fiscal space for the 2017 National Budget this morning.

Zimbabwe is currently engaging multilateral financial institutions to clear its arrears to them and possibly negotiate for a new financing programme once the debts are cleared.

International Monetary Fund resident representative Mr Christian Beddes said the country needed a. 'bold' reform programme in order to boost its fiscal space.

"What Zimbabwe needs is a bold reform programme that addresses current economic and resource mobilisation challenges, which can be supported by the international financial community," he said.

Catholic Commission for Justice and Peace in Zimbabwe (CCJPZ)

Africa Synod House 2nd Floor, 29-31 Selous Avenue, P.O. Box CY 284, Causeway, Harare, Zimbabwe;
E. Mail: ccjp@zcbc.co.zw; Web page: www.zcbc.co.zw/ccjp.html;
Blog: catholiccomforjusticeandpeaceinzimbabwe; Facebook - Justice Peace Zimbabwe

# The National Peace and Reconciliation Bill is URGENT

We listened to the President's opening address to the 4th Session of the 8th Parliament of Zimbabwe on October 6, 2016 with a lot of enthusiasm and expectation. Whilst noting several Bills the President instructed parliament to debate on, we were disappointed that the National Peace and Reconciliation Bill was not mentioned at all. We therefore kindly ask the President to command current Parliamentary Session to prioritise debate on the National Peace and Reconciliation Bill.

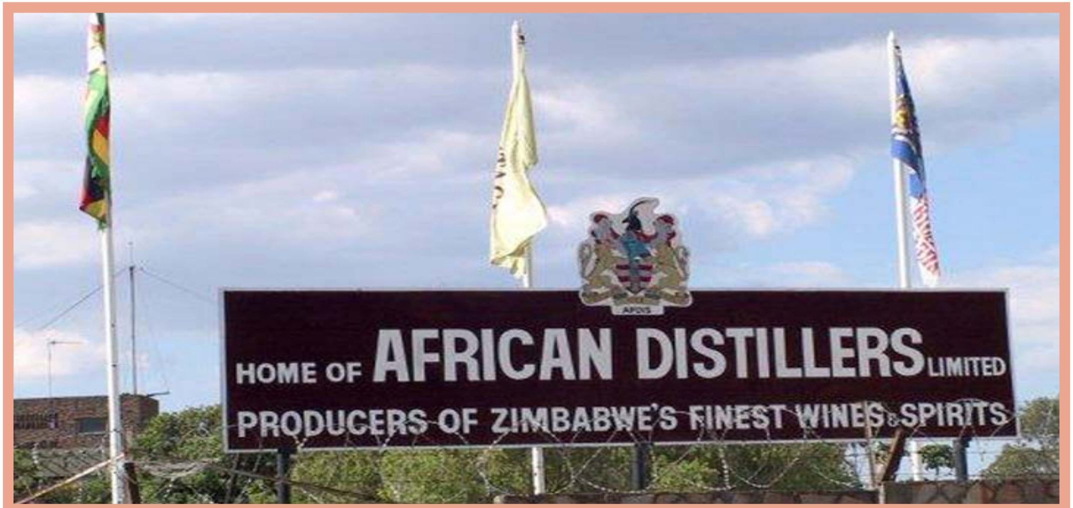
We would like to emphasize that a national peace and reconciliation process in Zimbabwe is long overdue. We have a history of conflict that cannot be simply ignored or procrastinated. The prevailing situation is such that some no longer effectively take part in public life and national development processes. There is a feeling of lack of faith that there is safety, predictability or meaning in Zimbabwe or a safe place in which to stay.

A national peace and reconciliation process will contribute to the eradication of poverty in our country. In particular, it will enable everyone to contribute effectively to the implementation of the country's development policies such as the Zimbabwe Agenda for Sustainable Socio-economic Transformation (ZIM Asset) "crafted to achieve sustainable development and social equity… which will be largely propelled by the judicious exploitation of the country's abundant human… resources" (ZIM Asset document, page 6). What made Zimbabwe the bread basket of the region in the 1980's for example, was partly the "exploitation" of human resources and the social capital of communal farmers who worked so well together to produce a lot of grain for both export and domestic consumption. Farmers supported each other with advice, labour, tillage and draught power. Similar results could also be obtained from impending Command Agriculture if a solid social capital and human resource base is recreated. There are a lot other instances before our violent past where Zimbabweans showed and expressed love to each other for the common good

A participatory national peace and reconciliation process is therefore urgent for holistic and inclusive national development. We already have God's promise: "if my people, who are called by my name, will humble themselves and pray and seek my face and turn from their wicked ways, then I will hear from heaven, and I will forgive their sin and will heal their land" (2 Chronicle 7:14). The Church is prepared to offer itself for this service of peace, healing and reconciliation. //End

# AFDIS' volumes, revenue improve

**BH24 Reporter**




**HARARE -** Listed wines and spirits producer African Distillers Ltd (AFDIS) recorded growth in both volumes and revenue in the first quarter of FY2017.

This was on the back a growth in demand in the company's wines and spirits segments.

Giving a trading update, AFDIS managing director Mr Cecil Gombera told shareholders at the company's AGM that part of the improved performance was due to limited competition.

"Given the prevailing economic conditions, current business performance has been pleasing with growth in both volumes and revenue for the first quarter of FY2017.

"This growth, as a result of gaining market shares as foreign competitors fail to make product available due to foreign currency shortages, will remain limited to certain segments of the market," he said.

Volume performance for wines business for the quarter grew 28 percent on prior year levels.

However, revenue and volumes for the spirits business is expected to taper on in line with the prevailing economic environment.

The spirits business contributes 50 percent of both volume and revenue.

The ready to drink business is expected to grow by 30 percent on prior year levels driven by strong performance from ciders.

"The two cider brands, Hunters and Savanna are now well established in the market and continue to attract new customers into this category.

"Growth strategies centre on market penetration as the products appeal to new consumers entrants," said the managing director.

# AIR FORCE OF ZIMBABWE

## RECRUITMENT

**HOW ABOUT A CHALLENGING AND REWARDING CARREER IN THE SERVICE OF YOUR COUNTRY?**

***The Air Force of Zimbabwe is looking for suitably qualified persons who are Zimbabwean citizens and physically fit to join the Force in the following trades:***

***Aircraft trainee technician***

- ***5 'O' level passes with grade C or better in English Language, Mathematics and a science subject (Intergrated or Physical Science).***
- ***Pass Aptitude Tests.***
- ***Aged between 18-22 years.***
- ***Must be Single.***

***REGIMENT INFANTRY/AIR DEFENCE***

- ***5 'O' level passes with grade C or better in English Language, Mathematics and any other subjects.***
- **Must be single.**
- ***Aged between 18-22 years.***

***AIRCRAFT TRAFFIC CONTROLLERS***

- ***5 'O' level passes with grade C or better in English Language, Mathematics and Science.***
- **Must be single.**
- ***Aged between 18-22 years.***
- ***Computer Literate + Class 2 Driver's license will be an added advantage.***
- ***Physically fit.***

***Interested candidates must report to the following provincial centres for selection by 0730hrs on dates indicated against each centre:***

# Implement effective strategies for agriculture: Zhanda

**BH24 Reporter**

**HARARE** –Agriculture Mechanisation and Irrigation Development Deputy Minister Paddy Zhanda has challenged stakeholders in the agriculture industry to come up with strategies to assist farmers improve productivity and earn adequate income from the sector.

He said this at the handover ceremony of 16 pedigree bulls donated by the Livestock Commercialisation Project in Mhondoro Ngezi recently.

The project is fully funded by platinum miner Zimplats and implemented by Linkages for Economic Advancement for the Disadvantaged (LEAD).

Deputy Minister Zhanda said it was important for stakeholders to identify areas that had the potential to increase agricultural production.

"The aim of this project is

Deputy Minister Paddy Zhanda

to increase household food, income and nutrition security thorough commercialisation of an integrated and sustainable small holder livestock sector in Mhondoro Ngezi.

"Livestock, particularly cattle are an integral part of the smallholder farming system in Mhondoro-Ngezi and are important in the provision of cash, draught power, meat, manure and milk. Livestock has great potential to make a significant contribution to food, nutrition and income security, especially for households in the semi-arid and drier parts of the district," he said.

He said the high frequency of extended mid-season dry spells that the country had been experiencing exposed farers to high risk of crop failure. Deputy Minister Zhanda said this left livestock production as an alternative main agricultural activity.

"Despite livestock production being central to Mhondoro-Ngezi farmers activities most of the communal herd is now comprised of small cattle breeds with low weight as well as productivity. With the necessary support such as the one we have gathered here for, there is potential to increase livestock productivity and contribute to improved nutrition and reduced child malnutrition," he said.

Dep Minister Zhanda said farmers should commercialise their minds before they commercialise production.

"You should earn an income from the livestock. You should be able to sell the beast and pay school fees, meet medical expenses and buy food.

"It is funny that some farmers do not even slaughter their cattle for meat but will only do so if the cattle is very sick. Put value to your livestock. Why should you be worried about losing your $20 dollar note when you can go and sleep without knowing the whereabouts of your beasts which is worth over $400.

Zimplats head of corporate affairs Ms Busi Chindove said the company was in support of ZimAsset which was geared at boosting food security and the economy.

"Farmers should take livestock production as a business where they can sell and realise an income. You should be able to raise school fees, medical bills and other costs using proceeds from livestock production," she said.

# HARARE CENTRAL HOSPITAL

*The people's hospital, striving for excellence, and above all, to do no harm to any of its clients*

Harare Central Hospital institution is made up of four hospitals, namely, the General Adult Hospital, the Harare Children's Hospital, the Psychiatric Hospital and the Maternity Hospital. The institution is administered centrally by a competent team led by the Chief Executive Officer. The hospital has a Management Board of seven members which assists in the administrative and policy decision-making processes at the Hospital.

1. Was there unnecessary and negligent exposure to radiation of clients of Harare Central Hospital?

Harare Central Hospital was recently furnished with a much-needed piece of high-tech equipment in the form of a Computed Tomography(CT) scan. This is a highly sophisticated piece of equipment for which the installation and calibration has to be according to exact specifications. CT scanning is a way of using X-rays to take pictures or images in very fine slices through a part of the body that the health personnel needs investigated. One way of imagining the functioning of a CT scan is like taking slices through a loaf of bread, except that this is being done on parts of the human body without cutting it.A CT scan combines a series of X-ray images taken from different angles and uses computer processing to create cross-sectional images, or slices, of the bones, blood vessels and soft tissues inside the body to provide more detailed information than plain X-rays can do.

The CT scan acquired by Harare Central Hospital was manufactured by Siemens, a very reputable international manufacturer of such equipment. To protect its clients and brand name, Siemens uses only appropriately qualified and certified engineers and technicians and keepsto rigorous international standards and specifications. The company hands over such equipment for use only when the necessary quality checks, including simulations on mannequins (dummies) are completed.

Once the checks were completed the CT scan was handed over to Harare Central Hospital to begin user orientation and put it into operation.The CT scan has an authorisation licence for use issued by the Radiation Protection Authority of Zimbabwe (RPAZ).

With all the necessary locally-required steps of verifying the safety of the machine completed, routine CT scans will soon be offered at the Harare Central Hospital at affordable cost.

Clients can rest assured that no client of the hospital has been or will be subjected to radiation beyond that which is acceptable internationally on any subject undergoing a CT scan.

CT scans expose a person to more radiation than regular X-rays. Having many X-rays or CT scans over time may increase a person's risk for cancer.Although the radiation doses from CT scans are higher due to multiple exposures in each session, the risk of subsequent cancer from any single scan is extremely small. In all cases, health-care personnel weigh this risk against the value of the information that will come from a CT scan at the time of the request.

2. What precipitated the temporary reduction in surgical operations at Harare Central Hospital, and has the issue been rectified?

Surgery was not suspended, but reduced to cover emergencies and maternity cases only. This was because of a shortage of an important painkiller, called morphine, which is given to clients after surgery. To ensure that the few supplies in stock would adequately cover emergency surgeries, all elective surgery cases (that is those on a waiting list and waiting to be called for surgery) were deferred until a supply of morphine was in good stock. This has since been stocked up and normal surgical lists are being conducted. Currently, the hospital has adequate supplies of specific post-surgical painkillers to last until the end of the year.

3. Were there any other important painkillers in short supply at the Harare Central Hospital recently?

In view of the fact that morphine cannot be given to children under the age of 5 years who may have undergone surgery or in need of strong painkillers, injectable paracetamol, which is given intravenously, needed for such paediatric clients, was in stock only in very small amounts due to its high cost of US$5.00 per vial of 100 ml and market forces which did not supply it in small amounts, but in bulk purchases. The insufficiency of injectable paracetamol meant that paediatric surgery had to be thought through carefully.

Other painkillers, though, are in abundant stock. The hospital has sufficient paracetamol tablets to last until 2018 at the current consumption rate. Anti-inflammatory painkillers, such as diclofenac, are also available in good quantities.

4. In conclusion

The prevailing economic situation has an impact on the functioning of health institutions in Zimbabwe, and Harare Central Hospital is not spared the consequences of such budgetary constraints. The Ministry of Health and Child Care and the management and staff at Harare Central Hospital will continue to put all effort and contingency plans in place to serve the community the best they can under the circumstances.

# RBZ tackles bond note fears

**HARARE -** The Reserve Bank of Zimbabwe (RBZ) yesterday bond notes, which are due for introduction this month, will remain in circulation for as long as the country does not have its own official currency.

The central bank has had to fire fight and defend its decision to introduce the bond notes, which a skeptical public views as a back door attempt to introduce the dumped Zimbabwean dollar.

Introduction of the notes was mooted as part of measures to ease liquidity challenges as well as motivate exporters to sale more of their products outside the country to earn foreign currency.

In terms of the facility, the central bank will award exporters a bonus of between two and five percent of the value of total export receipts in bond notes, which will be

credited to the exporters' local bank accounts.

In a statement tackling various issues surrounding the soon to be introduced legal tender, the RBZ said the bond notes were not a currency but a financial instrument providing a contractual right to receive or deliver cash.

"Bond notes are not a surrogate Zimbabwe dollar for they are not currency but a financial instrument, issued at par with the US Dollar.

Bond notes will operate in the same manner that the Bond coins have been operating," the central bank said.

"Bond notes will exchange at the same value as the US Dollar. When the RBZ introduced the Bond coins for the purpose of change in 2014, many have been skeptical that they will not maintain their value, which they have done."

The RBZ emphasized that it would not print more than $200 million worth of the new notes, adding that there were various safeguards put in place to ensure that did not happen.

Between $3 billion and $7 billion is estimated to be circulating in the economy, with experts saying the bond notes total value was rather insignificant for the public to be worried about their effect.

The central bank said the notes were being printed outside the country for security reasons and that they were being introduced as a tool to curb cash hoarding, externalization and looting which has been the case with the United States dollar.

This has led to current shortages where depositors were struggling to access cash at banks.

The RBZ said the bond notes were redeemable at any bank in exchange for other multi-currencies currently in use in the economy, namely the US Dollar, South Africa Rand, the Euro, Japanese Yen, Australian dollar, Chinese Yuan, Botswana Pula and Indian Rupee.- **New Ziana.**

# Industrial index slides into the red

**HARARE** – After registering two consecutive gains the Industrial index retreated 0,67 points today to close at 120.23 points due to loses in two counters.

Econet dropped by $0,0300 to trade at $0,2700 and Masimba eased $0,0009 to close at $0,0076.

AXIA, Delta and Old Mutual traded unchanged at $0,0600, $0,7300 and $3,2200 respectively.

On the upside, Colcom added $0,0283 to settle at $0,2900, Hippo shed $0,0093 to $0,2400 and NicozDiamond traded $0,0020 higher at $0,0170.

Other gains were in CBZ which added $0,0009 to close at $0,1049 and FBC improved by $0,0006 to close at $0,0770.

The Mining index was unchanged at 34.11 points. Bindura, Falgold, Hwange and Riozim remained unchanged on previous price levels at $0,0200, $0,0050, $0,0300 and $0,1900 respectively

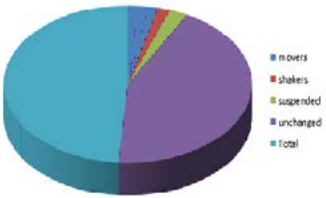
– **BH24Reporter**

# ZSE

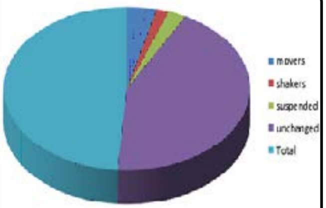
| TOP GAINERS | CHANGE | TODAY PRICE | LOSERS | PRICES | CHANGE |
|---|---|---|---|---|---|
| NICO.ZW | 0.0170 | +13.33 | MSHL.ZW | 0.0076 | -10.59 |
| COLC.ZW | 0.2900 | +10.81 | ECO.ZW | 0.2700 | -10.00 |
| HIPO.ZW | 0.2400 | +4.03 | | | |
| BARC.ZW | 0.0210 | +2.44 | | | |
| CBZ.ZW | 0.1049 | +0.87 | | | |

## Stock Exchange

TODAY




PREVIOUS




# INDICES

| | VALUE | CHANGE |
|---|---|---|
| INDUSTRIAL | 120.23 | -0.55 |
| MINING | 34.11 | 0.00 |

# THE BH24 DIARY

- **02 November 2016 ----- AFDIS' 66th annual general meeting; Place: Head Office, St Marnock's, Lomagundi Road, Stapleford, Harare; Time: 11: 00am**

LOAD SHEDDING STATUS

Minimal

Light

Moderate

Heavy

Severe

Load-Shedding Schedule

## POWER GENERATION STATS

| Gen Station 01 November 2016 | Energy (Megawatts) |
|---|---|
| Hwange | 299 MW |
| Kariba | 692 MW |
| Harare | 0 MW |
| Munyati | 16 MW |
| Bulawayo | 18 MW |
| Imports | 0 - 350 MW |
| Total | **1367 MW** |

# Nigeria's Arik Air to double fleet

**LAGOS** - Nigeria's largest airline Arik Air plans to nearly double its fleet to 52 planes within 10 years and has already ordered some of them from Boeing a source at the company said on Monday.


Most of the carrier's existing fleet are Boeing planes and the source, who did not wish to be identified, said the airline would buy most of the new planes from the US planemaker.

The source did not say how many had already been ordered or the value of the purchases.

Privately owned Arik Air needs more planes as it aims to add international routes and increase services, including daily flights to New York, to offset a slowdown at home and bring in more hard currency.

It is also seeking new investors to help it grow and has said it wants to raise up to $1 billion through a private share placement next year and a possible initial public offering (IPO).

Founded a decade ago and now west Africa's biggest carrier by passenger numbers, Arik Air has appointed advisers for the share placement and potential IPO in Lagos, with a secondary listing in London.

"We hope to maintain our market leadership and our growth strategy involving substantially increasing our fleet to 52 aircrafts by 2025," Managing Director Chris Ndulue said on Monday at a briefing in Lagos to mark the carrier's 10 years of operations.

"We plan to ... put our footprint in Europe, Asia and Latin America and the Middle East, and this requires additional aircraft," he said.

Arik Air's home market has been hit by falling demand as a currency crisis in Africa's top economy deepens, due in part to the oil price slump.

United and Iberia both stopped services to Nigeria this year and Emirates and Kenya Airways have announced plans to suspend flights to Nigeria's capital Abuja by next month.

Ndulue said Arik Air would also look at various funding options from international banks despite dollar shortages and the economic recession at home, which had affected businesses.

The carrier currently has a fleet of 28 aircraft, mostly Boeings but also three Airbus planes and nine Bombardier aircraft.

New routes and services would help the airline generate foreign currency.

Last week Arik announced plans to start daily flights to New York in the next six months, up from three times a week, and start flights to Rome and Paris within 18 to 24 months. The carrier flies mainly within western and central Africa, as well as to London and Johannesburg.

A plunge in Nigeria's naira currency has ramped up the cost of importing jet fuel and hurt profit margins as many passengers pay fares in naira.- **Reuters**

# Shell's record BG deal starts paying off

**THE HAGUE** - Royal Dutch Shell Plc's biggest takeover, the subject of intense investor scrutiny during crude's collapse, is starting to pay off as Europe's largest oil company chalks up its highest profit in five quarters.

The cash now generated by BG Group Plc -- acquired by Shell for $54 billion in February -- outstrips its spending, while production has risen by about a third in two years, Shell chief financial officer Simon Henry said Tuesday. The integration of its assets has been completed "well ahead of time," he said.

Shell chief executive Ben Van Beurden, who has faced criticism that he overpaid for the oil and gas producer, has vowed to boost savings from the deal and use higher cash flows to safeguard the dividend.

While Shell built up record debts of almost $78 billion following the acquisition, its third-quarter results show that higher production, deeper cost cuts and tighter spending are boosting the bottom line.

"Investors can finally see what the new Shell can do," said Oswald Clint, a London-based analyst at Sanford C. Bernstein & Co. "The BG acquisition is finally delivering."

The Anglo-Dutch energy giant said profit adjusted for one-time items and inventory changes rose 17 percent from a year earlier to $2,79 billion, exceeding the $1,79 billion average analyst estimate.

Cash flow from operations, a key measure of financial strength, surged to $8,5 billion, more than triple the second-quarter figure.

BP Plc, Total SA, Exxon Mobil Corp. and Chevron Corp. also beat earnings estimates, showing that Big Oil is managing to adapt to low energy prices after two years of painful cost-cutting.

## Deal Scrutiny

Crude's collapse began in mid-2014, and by early April 2015 -- when Shell announced its acquisition of BG -- it was down more than 40 percent. As prices sank below $30 in early 2016, many were questioning the rationale behind the deal.

Shareholder Standard Life Investments said the plan was "value destructive" and it would vote against it. When the acquisition was announced, Carmignac Gestion SA fund manager Michael Hulme said that making a success of it would "require a more-than-healthy degree of optimism."

In response, Van Beurden cut spending further, promised higher returns and said Shell would generate cash at lower oil prices. On Tuesday, the company said capital investment in 2017 would be at the bottom of its $25 billion to $30 billion guidance, down from $29 billion this year. Not all of Shell's competitors reported such rosy results. Although BP and Exxon both beat estimates, earnings fell by 49 percent and 38 percent, respectively.

The oil majors have renegotiated contracts, cut spending by billions of dollars, eliminated hundreds of thousands of jobs and sold assets to weather the market rout. While crude has increased more than 30 percent this year toward $50 a barrel, low prices continue to be a "significant challenge," Van Beurden said.– **Bloomberg**

# Alibaba's cloud arm to take center stage as e-commerce plateaus


**By Lulu Yilun Chen**

It's not the e-commerce business that'll command the most attention when Alibaba Group Holding Ltd. posts earnings Wednesday. It's the nascent cloud computing division that investors will scrutinise instead.

China's largest internet company reports just a week before Katy Perry and other stars headline a launch party for the annual Singles' Day online shopping extravaganza.

Yet it's the less flashy internet-based computing unit that's in the spotlight now that its e-commerce juggernaut is plateauing and the payoff from nascent businesses such as entertainment remains years away.

Taking Amazon.com Inc.'s approach, Alibaba has placed cloud at the heart of its global expansion, eyeing top share in Japan in two years and beefing up its presence from the Middle East to the US.

It already hosts more than a third of China's websites. The company's fastest-growing division probably helped power 53 percent growth in group revenue to 33,9 billion yuan ($5 billion) last quarter, according to estimates compiled by Bloomberg.

And unlike other businesses such as video streaming or on-demand services, it may be close to contributing to the bottom line.

"People have really high expectations for the cloud unit," said Billy Leung, an analyst at Haitong International Securities Co.

"For me, it's already in the books, in the share price."

Shares of Alibaba have surged 24 percent this year compared with a rise of just 2,7 percent for the NYSE Composite Index.

Alibaba has only recently begun to make inroads beyond China and into a global cloud market dominated by Amazon and Microsoft Corp.

It's the biggest provider of internet-based computing -- everything from storage and data analysis to server hosting -- for government agencies and corporations within its home market, but abroad it's more narrowly focused on supporting Chinese-based organisations on foreign soil.

The division now accounts for less than 5 percent of Alibaba's revenue, the lion's share of which comes from an e-commerce division still growing at double-digit rates.

But that proportion is climbing steadily and could help the company grapple with a profusion of difficulties facing the wider economy.

Chinese gross domestic product grew 6,7 percent in the third quarter, its slowest pace of expansion since 2009.

"One of the key focuses this quarter will be Alibaba's cloud unit performance," said Li Muzhi, a Hong Kong-based analyst at Arete Research Services LLP who expects the unit's revenue to soar 130 percent to 1,49 billion yuan.

"If Alibaba's cloud unit breaks even this quarter that would be a confidence booster for investors."

Like Amazon's, Alibaba's cloud service emerged from the enormous computational power needed to handle millions of online shopping transactions.

But unlike its US counterpart, it enjoys home-field advantage in a vast Chinese market where web-based computing is still novel to many enterprises.

Its push into cloud, where software and services are provided to customers via server farms the size of football fields, prompted a second data center in Silicon Valley and preparation for its first in Europe.

Along the way, Alibaba forged partnerships with industry giants like Intel Corp. and Nvidia Corp. In July, the division's president proclaimed it could match or even surpass Amazon within three to four years.

Alibaba co-founder Jack Ma once referred to data as the new oil. Chief Executive Officer Daniel Zhang said last month that cloud computing will underpin the upgrading of China's $4 trillion retail market, one of the company's biggest opportunities.

He envisions building a system that monitors in-store sales as they happen, giving retailers and brands the ability to adjust in real time.

If that happens, the cloud could well become one of Alibaba's bigger profit centers. Amazon Web Services earned $861 million of operating income last quarter, by far the US company's most lucrative division.

Alibaba said in August that the unit was close to breaking even, driven by some 577 000 paying customers.

Overall, Alibaba is expected to post 7 billion yuan of net income, a 69 percent drop propelled in part by the integration of loss-making online video streaming business Youku Tudou and Lazada Group SA, acquired earlier this year.

Cloud is "the next revenue driver," Credit Suisse analysts Evan Zhou and Monica Chen wrote in a note last week, tagging its growth for the September quarter at about 147 percent. -**Bloomberg**