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By Lilian Karunungan

March 14 (Bloomberg) -- China's money-market rate rose to a one-week high after central bank Governor Zhou Xiaochuan said yesterday the nation should be on "high alert" over inflation.

Consumer-price gains in February, distorted by the weeklong Lunar New Year holiday, reached a 10-month-high of 3.2 percent, official data showed March 9. The People's Bank of China will sell 18 billion yuan (\$2.9 billion) of 28-day repurchase contracts, which drain funds from the banking system, at a yield of 2.75 percent today, according to a statement posted on the central bank's website.

"The PBOC is still withdrawing liquidity," said Weisheng He, a Shanghai-based strategist at Citigroup Inc. "The authorities are somewhat concerned about rapid monetary growth."

The seven-day repurchase rate, which measures interbank funding availability, climbed seven basis points, or 0.07 percentage point, to 3.09 percent in Shanghai, according to a weighted average compiled by the National Interbank Funding Center. It touched 3.11 percent earlier, the highest level since March 5.

Monetary policy is "no longer relaxed" and is "relatively neutral" as demonstrated by a 13 percent target for money-supply growth that's tighter than economic expansion in the last two years, the PBOC's Zhou said at a press conference yesterday during the annual gathering of China's National People's Congress.

Xi Jinping was named China's president by the national legislature to replace Hu Jintao. He took over the top post in the ruling Communist Party as well as chairmanship of the party's military commission in November.

The one-year interest-rate swap, the fixed cost to receive the seven-day repo rate, was unchanged at 3.27 percent, data compiled by Bloomberg show.

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